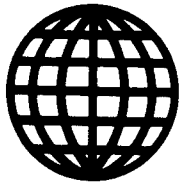


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# ***JPRS Report***

## **East Asia**

### ***Southeast Asia***

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## RECONCILIATION MEETING OF NU LEADERS PROPOSED

### Forum Sought

Surabaya SURABAYA POST in Indonesian 4 May 87 p 2

[Text] Surabaya--The NU [Muslim Scholars Organization] reconciliation, which is aimed at reuniting its key personnel who are members of the OPP (political organizations that took part in the general election) or the PBNU [NU Executive Board], has no connection with the PPP [United Development Party]. The reconciliation is aimed at reuniting NU members who during the campaign period demonstrated sharp differences in their political perception.

"The PPP is a political organization that no longer has any ties to the NU, therefore, it is incorrect to say that the NU reconciliation can be interpreted as an NU and PPP reconciliation," said K H [honorable pilgrim] Abd. Aziz Dja'far, former East Java NU board member, who together with a number of NU entrepreneurs is prepared to sponsor an enlarged meeting of NU ulemas to be held in this holy month of Ramadan.

Aziz admitted that he receives hundreds of letters and telephone calls every day in support of this plan. But he will consult with the East Java NU PW [regional council] to decide on an institution that will be the forum for this meeting.

If there is no chance that an official meeting can be held, the LPDI (Islamic Missionary Training Institute), which he heads, is prepared to be the unofficial friendly forum until a meeting can be held at which decisions can be made that will be binding on all reunited NU ulema signatories.

### 100 Ulemas

According to Aziz, as of now two Surabaya NU entrepreneurs are prepared to contribute 5 million rupiahs for the proposed meeting, which is to be attended by some 100 NU ulemas prominent in Indonesia. Furthermore, Aziz is optimistic about obtaining additional funds from eight more NU donors, thus initially collecting more than 10 million rupiahs. Any money remaining after the meeting will be turned over the NU for proselytizing activities outside Java and the transmigration areas.

He said the LPDI has as yet been unable to contact K H Achmad Siddiq, head of the NU Advisory Board, to discuss the technical details of that meeting. Aziz explained that his side is ready to accept any proposal from the NU Advisory Board leadership for handling this reconciliation.

He hopes that prominent NU personalities who still are members of the PPP such as K H Imron Rosjadi, S.H. [master of laws] and K H Syansuri Badawy, or those known as "deflators" such as K H Hamid Baidowy or Haji Mahbub Djunaidi, and including NU leaders who have become prominent GOLKAR [Functional Group] figures such as K H Hasan Syaifurizal, will attend the meeting along with top NU leaders like K H Achmad Siddiq, K H As'ad Syamsul Arifin, and K H Abdurahman Wachid.

"We are motivated by sincere intentions," said Aziz emphasizing that they had no ulterior motives whatsoever for holding this meeting.

#### Informal Get-Together Sufficient

Surabaya SURABAYA POST in Indonesian 7 May 87 p 7

[Text] Surabaya--The idea of an NU reconciliation should be given even more careful and close attention, considering that there is no conflict of principles that must be reconciled among the NU leaders and leading figures. If it is to be held, the concept of the reconciliation must be made clear and who is to conduct it, in which forum it is to be held, and the direction it should take must be decided upon.

Haji Soeleiman Fadeli, chairman of the East Java PPP DPW [regional executive council] presented this opinion when he was requested to comment on the reconciliation on Wednesday afternoon [7 May]. He personally feels that a reconciliation is not needed because the NU members only did what was normal in the OPP, moreover, what they did was guaranteed by the NU Congress. Regarding the differences of political perception or comments that perhaps might have hurt the feelings of other members, he said this was normal during a campaign period. It not only happened within the NU or the PPP but in other mass and socio-political organizations.

"An informal Idul-Fitri get-together is sufficient," Soeleiman commented, trusting that the most effective and inexpensive forum would be found. If they cannot have a face-to-face meeting, they can talk on the telephone or send an Idul-Fitri telegram. The idea for a meeting must come from the NU board members themselves.

If the prospective meeting, to be attended by core NU personnel on the OPP as well as on the East Java NU PB [executive board] and the PW, does not have a clear aim, according to Soeleiman, the reconciliation can boomerang against the NU. NU members also will be confused, considering that actions are still being taken by the NU board that conflict with the decisions made at the congress, among other things, they are discharging and deactivating NU members who are also members of the PPP.



Outside observers, Soeleiman continued, also might judge that the reconciliation is indicative of NU relations with its members in the OPP. In the end, they might conclude that NU members in the OPP are representatives of the NU who arrange all of NU's affairs through the OPP or that they definitely feel that the NU is still carrying out its politics through its henchmen in the OPP.

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SUHARDIMAN PROPOSED AS NEW PPP CHIEF

Suhardiman Comments

Jakarta SUARA PEMBARUAN in Indonesian 14 May 87 pp 1, 12

[Text] Jakarta, 14 May--It is not the style of J. Naro, S.H. [master of laws], general chairman of the PPP DPP [United Development Party Central Executive Committee], to resign even though the PPP experienced a striking defeat in the recent general election with regard to the number of votes received.

J. Naro tossed off this comment in response to a newsman's question on Tuesday evening [12 May] at his home.

Concerning whether he would continue to head the PPP, Naro said this depended on the congress which was still a long way off.

In no way did Naro want to comment on Suhardiman, S.E. [master of economics], about whom recently a number of PPP leading figures spread rumors that he would be a candidate for the PPP DPP general chairmanship.

"My response is brief, no comment," said Naro. "Anyone can be a member and later can even become the chairman as long as that person meets the requirements of the party's constitution and by-laws."

After a fast-breaking dinner with the MUI [Indonesian Ulema Council] GUPPI [Association for the Advancement of Islamic Education] and reporters at his home on Tuesday evening and hold the obligatory special prayers, Soepardjo Rustam, minister of home affairs, was asked for his views, but he also did not want to comment.

"It is interesting news, but allow me not to make any comments," he said.

Green Light

Dr Suhardiman, who was contacted by telephone on that evening, responded from his home that it was not a simple problem.

According to him, the information published in this newspaper had been conveyed to the SOKSI [Central Organization of Indonesian Independent Workers] national leadership meeting recently.

In addition, the PPP had a regulation calling on members to operate under the rules of the party's constitution and by-laws. According to Suhardiman, he was restricted because he had to obtain a "green light" from the government to act as a domestic political director.

"Am I not known to everyone as a founder of the GOLKAR [Functional Group Party] and a GOLKAR cadre?" Suhardiman added.

Nevertheless, Suhardiman would not avoid the responsibility if he was "charged" with taking the position.

#### GOLKAR Secretary General's Comment

Jakarta MERDEKA in Indonesian 20 May 87 p 1

[Text] Jakarta, Tuesday [19 May], MERDEKA--In the DPR [Parliament] building on Tuesday, Sarwono Kusumaatmadja, secretary general of the GOLKAR DPP, regretted that Suhardiman said he was willing to become the PPP general chairman, replacing Haji J. Naro.

"Why do you regret it?" asked a reporter, to which Sarwono replied, "It's weird ...."

"Because it's weird, you don't have to respond to it," Sarwono said laughing.

In a statement published in a capital city paper not long ago, Suhardiman, vice chairman of the Golkar Faction (F-KP) in the DPR, said he was prepared to be the PPP general chairman, replacing Haji J. Naro, who he felt had failed to lead the PPP.

He made this decision because he was asked and urged to do so by a number of PPP leading figures who recently went to his home in Cipete, Kebayoran Baru, Jakarta.

According to Sarwono, no one needs to respond to Suhardiman's original statement because "time is too precious."

"Let it go as a weird idea, but we do not need to draw any more dramatic conclusions from it," Sarwono added.

Does GOLKAR feel it has been hurt by or, moreover, that it harmed the GOLKAR cadres, asked a reporter. "Oh...no, no cadre was hurt by it," responded Sarwono.

On the other hand, Sarwono acknowledged that Suhardiman had served with merit in the GOLKAR. When asked again whether the GOLKAR would feel it had been hurt if Suhardiman actually became the PPP general chairman, Sarwono responded, "Let's not speculate,...."

## False Rumors

Soedardji denied the rumors that PPP leading figures, said to be Soedardji, H B Tamam Achda, and Syarifuddin Harahap, chairman of the PPP Faction in the DPR, had gone to see Suhardiman.

"It is true that I and these friends are close to Pak Hardiman, but not even one of went to see Suhardiman," Soedardji said.

According to Soedardji, the leading figures who were said to have visited Suhardiman, could have been Naro's "men" who are now dissatisfied with his policies.

Soedardji explained that what the PPP leading figures did was positive whereas in the past they would not have had the courage to oust Haji J. Naro.

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ULEMAS WARN AGAINST PKI COMEBACK

Jakarta KOMPAS in Indonesian 15 May 87 p 1

[Article: "Close Off Any Possibility for the Return of the Communists"]

[Text] Jakarta, KOMPAS--Aceh ulemas requested President Soeharto to continue to close all doors against the possibility of a return to Indonesia by the communists. "Because we are afraid that they might return to Indonesia in a new form," said Professor K H [honorable pilgrim] Ali Hasmi, chairman of the MUI (Indonesian Ulema Council) of the DI [special region] of Aceh, after he was received by President Soeharto at the Bina Graha [executive building] on Thursday [14 May].

According to Prof Ali Hasmi, they perhaps could return in a new form, for instance, as docents on university faculties or, through lack of awareness, by entering political organizations. Communists, of course, are very clever. "Of course, they are not visible now but the chance of this happening remains," said Prof Ali Hasmi, who was the governor of Aceh from 1957 to 1964.

He offered as an illustration the earlier great many CGMI [Central Students Movement of Indonesia--an organ of the PKI (Indonesian Communist Party)] cadres who operated in the Darussalam [organization of Muslim dissidents] sphere in Banda Aceh. After the G30S/PKI [abortive 30 September 1965 coup], they disappeared. Some were arrested, some were killed, and so on. "But we do not know where some of them are now."

Prof Ali Hasmi said Aceh ulemas and the people of Aceh were behind President Soeharto's closing the door on the possibility of the communists' return to Indonesia.

In reply to the desires of the Aceh ulemas, according to the professor, President Soeharto said that such fear perhaps existed, but if Pancasila [the five basic principles of Indonesia] was truly implemented, this fear could definitely be dispelled. The chief of state explained that if the economic situation was good and political stability was maintained, there was very little chance that the communists would return to Indonesia.

Letter to Pak Harto

The MUI chairman came to Jakarta with Hasan Saleh, head of the DI Aceh Mosque Council. They went to the Bina Graha to convey a letter of appreciation from the MUI and all the Aceh ulemas to President Soeharto on his handling of the past election, which according to them was conducted very well and peacefully. "This happened because of President Soeharto's policy of making Pancasila the sole principle for a one nationality, one nation, and one society of all the Indonesian people."

Especially for the DI Aceh, the general election was a success in the "front yard of Mecca" for no other reason than because "of the love of all the Aceh people for President Soeharto and also because of the policies of GOLKAR [Functional Group] functionaries such as Bustanil Arifin, S.H. [master of laws], A.R. Ramly [executive director of Pertamina (National Oil and Gas Company)], and Prof Ibrahim Hassan, governor of Aceh."

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INDONESIA

AFP REPORTS NEW CRACKDOWN ON PRESS

BK300620 Hong Kong AFP in English 0609 GMT 30 Jun 87

[Report by Endy Bayuni]

[Text] Jakarta, 30 Jun (AFP)--Indonesian authorities, struggling to regain confidence in the way they run the economy, have clamped down on the national press, banning a Jakarta daily newspaper and strongly warning four others.

The Information Ministry Monday revoked the publishing license of the daily PRIORITAS for what is described as "insinulative, cynical and tendencious" reports. The ministry said that a series of articles "contained stories which were untrue and were not based on facts" and "could confuse the public."

The ban followed a strong verbal warning by Information Minister Harmoko who summoned the editors of five newspapers, including the nation's largest daily, KOMPAS, on Thursday. Industry sources said he expressed disapproval of the way they reported the current state of the economy.

The PRIORITAS ban serves as a warning to other newspapers to exercise self-restraint in the absence of formal government censorship.

Public confidence in the prospects for economic recovery have been low, marked by recurring speculation against the Indonesian currency, the latest being prompted by fears of possible harsh monetary measures earlier this month.

The government has made no bones about its feeling towards the Indonesian press by accusing newspapers of helping to fuel the rumours.

The economy last year took its worst downturn since President Suharto rose to power 20 years ago with a plunge in vital export income from oil and rising foreign debts to a record level of \$43 billion this year.

Under the government's concept of a "free and responsible" press, newspapers face the daunting task of determining their own censorship guidelines to avoid the government axe. "The line is blurred and it changes with the political conditions in the country," said a senior editor of a Jakarta newspaper.

Other editors said that with a presidential election 9 months away, the invisible official press restrictions would be further tightened and more newspapers may be closed down unless they exercise further restraint.

President Suharto, 66, is set to be re-elected for his fifth consecutive 5-year term of office after his current term ends in March. His Golkar party won a landslide victory in April's general election and he is so far the only candidate for the post.

In October last year, the Protestant-run SINAR HARAPAN, the second largest daily in Jakarta, was banned for "speculative reporting" on the economy, 7 months before the country went to the polls.

Diplomats said although the re-election of President Suharto is certain, barring health trouble, the government would not take any chances and was likely to tighten its grip on the media industry. They said newspapers are still a major influence on public opinion despite tight official restrictions.

Press industry sources said a number of newspapers, including PRIORITAS, have been pushing their stories a little too far in the hope of boosting circulation in the small and stagnant market.

PRIORITAS, which appeared a year ago with glossy colour pages, is among four new newspapers that have hit the streets of Jakarta in the past 2 years to make the market even more competitive. It has reportedly achieved a daily circulation of 115,000, compared with 500,000 of the established KOMPAS.

Sources said that the editors summoned by Mr Harmoko last week were told to refrain from publishing reports giving a bleak outlook of the economy.

The government earlier this month won a new international vote of confidence when a consortium of Western industrialised countries pledged a record \$3.19 billion in aid to Indonesia.

Most analysts agreed that this month's rush to sell Indonesian rupiahs and buy dollars, forcing the Central Bank to sell some \$1.4 billion of foreign currencies, was largely unfounded given that oil prices were rising.

But they said the rush showed that the trauma of the 31 percent devaluation of the rupiah in September last year, which took almost everyone by surprise, remained strong in the minds of the public. A similar rush in December led to a drain in the Central Bank reserves of some \$1.8 billion.

Bankers also said that although the economy is now improving, concerns remain about the government's intention on how it would address the rising foreign debt obligations.

As if heeding the signal from the government's ban on PRIORITAS, many Jakarta newspapers on Tuesday published a story of Finance Minister Radius Prawiro urging the public to keep their deposits in rupiah. One newspaper even put the article next to its report on the PRIORITAS ban.



AGRICULTURE MINISTER PLAYS DOWN IMPACT OF DROUGHT

Jakarta SUARA PEMBARUAN in Indonesian 20 May 87 pp 1, 12

[Article: "No Concern Needed Over Drought--No Threat to Continued Self-Sufficiency in Food"]

[Text] Jakarta, 20 May--The fears of certain parties about the threat to food self-sufficiency are totally unfounded because the Department of Agriculture is prepared to cope with even a severe threat, Engineer Achmad Affandi, minister of agriculture, told reporters on the occasion of a fast-breaking dinner at his home in the Senior Officials Housing Complex in Jakarta on Tuesday evening [19 May].

Maintaining rice self-sufficiency, he admitted, was difficult. However, he added, it could be threatened if we didn't know how to handle it. For the Department of Agriculture itself, the most important thing in regard to self-sufficiency is not how to increase production but how to increase the farmers' income.

According to Affandi, there is no fear that rice production will drop although it is threatened by plant diseases and the diminishing agricultural land. "My only fear is that the farmer will leave paddy farming," he said.

The chance that farmers will no longer grow paddy, according to him, could easily happen. If, for instance, another type of farming provided him with a better income, the farmer would leave paddy cultivation. This is the biggest threat to our agriculture, he added.

To cope with this, we could try to increase the farmers' income because if the rice farmer gets only 1,500 rupiahs for a half day's work, rice will lose out. "The minimum income for a farm worker must be 7,000 rupiahs a day. Only in this way can we make progress," the minister said.

Super INSUS

Meanwhile, to cope with the diminishing agricultural land, technology for managing the land must be sophisticated. The Department of Agriculture has done this by instituting the Super INSUS [special intensification] program.

The Department of Agriculture is afraid that on Java Island the building of toll roads as in East and West Java and also in Jakarta will reduce the available agricultural area, moreover, when the total agricultural land on Java Island amounts to only 2 or 3 million hectares. Minister Affandi said the Department of Agriculture must continue to be able to meet food (rice) requirements for the people.

The Super INSUS program was instituted to face this problem, he explained. It was launched for the first time by the Department of Agriculture early in February 1987. It was launched over 270,000 hectares in JALUR PANTURA (Jatiluhur and the North Coast) of West Java. The target of this program is to produce 4.5 tons of paddy per harvest season.

#### Drought

Actually there is no need to be concerned about the drought, Affandi said. In November of last year, his side anticipated the possibility of a dry season which did occur this year. Therefore, in December they had adjusted the minister of agriculture's SK [decisions] to meet the effects of the drought.

While the BPS (Central Statistical Bureau) forecast that the agricultural area would total 9.8 million hectares during the planting season (MT) of 1987-88, it was quickly changed to 9.4 million hectares. However, earlier (MT 1986-87) it was increased to 6.8 million hectares rather than 5.5 million hectares.

"So, without the Super INSUS, we achieved an increase in production of about two-thirds of one percent," he explained.

On that occasion, Affandi said the problems of mice had not yet been solved. Meanwhile, by regulating the planting pattern, the insect pest is gradually subsiding.

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VILLAGE COOP MISMANAGEMENT REPORTED

Jakarta PELITA in Indonesian 12 May 87 p 1

[Article: "KUD's of Concern--Mismanagement Occurred, Scores of Millions of Rupiahs in Debt"]

[Text] Jakarta (PELITA)--At this time, the KUD [village unit cooperative] situation in Indonesia, in general, is cause for concern and needs to be put to rights immediately. It absolutely must be improved qualitatively and quantitatively in line with the increasing demands of development.

Solichin Gautama Putra, secretary for Operational Control of Development (SESDALOPBANG), responded in this way to a question from PELITA when observing a number of KUD's in West Java on Monday [11 May].

Compared with the situation in the past few years, of course, the KUD's have advanced, but their rate of growth is still below that of development itself, moreover, if compared with the growth rate desired by President Soeharto. He would like 1 KUD for every 1,000 families.

The working visit of the SESDALOPBANG to the Karawang and Bekasi Regencies lasted from yesterday morning until the afternoon. The purpose of the visit was to determine how far the implementation of the subsystem for improving the KUD's had been carried out in connection with the North Coast and Jatiluhur Special Operation (OPSUS JALUR PANTURA).

Solichin's concern rose after he learned that of the 312 KUD's established, only 77 were judged to be capable of handling the distribution of farm credit and other types of work. A greater part of the KUD's in the Bekasi, Karawang, Cikampek, Purwakarta, and Indramayu Regencies were categorized as Levels II and III KUD Improvement Subsystems. The five regencies were given the same tasks as a number of regencies in several other provinces, that is, to increase paddy production per hectare through the Super INSUS [special intensification] program.

President Soeharto described the ideal KUD as one that on the average served 1,000 cooperative members. In the 5 regencies with a total of 540,000 farmers, 540 KUD's were needed to carry out this task.

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## BRIEFS

ENOUGH SEEDS FOR RICE PROGRAM--Jakarta (PELITA)--There is no need to worry about seed supplies for the implementation of the Super INSUS (special intensification) program at this time. The seeds are produced by Sang Hyang Seri (SHS) PERUM [corporation] and any shortfall is filled by private seed nurseries. Sang Hyang Seri Soemartono, executive director, talked about the matter in Jakarta on Saturday [9 May]. The Super INSUS program in the JALUR PANTURA (Jatiluhur and North Coast) of Java, which encompasses 270,000 hectares in 5 regencies (Karawang, Bekasi, Tangerang, Subang as well as Indramayu), in particular, was supplied with 4,810 tons of blue label seeds while seed requirements for the JALUR PANTURA area totaled 6,750 tons. The shortage of 1,940 tons was covered by the private seed nurseries, Perjan Cihea and P.T. [limited liability company] Pertani. Soemartono added that to meet requirements, 1,060 tons of SHS seeds from the Central Java region were also channeled to West Java while 1,050 tons were supplied by the West Java SHS through April. Stocks in the West Java SHS branch as of 23 April amounted to 1,635 tons. According to Soemartono, 46 percent of the seeds needed for seed supplies had been planted as of April. At this time 784 tons of seeds are recorded as being processed. Meanwhile as of April 4,535 tons have been supplied by the SHS, he said. [Text] [Jakarta PELITA in Indonesian 11 May 87 p 3] 6804/12859

NAVY TRAINING SHORT-CUTS--Surabaya, KOMPAS--The TNI-AL [Indonesian National Navy] now is using a number of short-cuts in its training program because of limited funds. One of the short-cuts is on-the-job training. "If ship personnel had to be trained and ready for duty in the past, now they can be 70 percent trained and obtain 30 percent more of their training while on duty aboard ship," said Admiral R. Kasenda, KSAL [navy chief of staff] on Tuesday [12 May] during a Navy Training Day ceremony in Bumi Moro, Surabaya. The system of relatively brief training requires a ship commander to be the ship's captain as well as an instructor or trainer. The short-cuts adopted by the Navy, he said, have been used by several countries effectively. "Even if the economic situation improves and enough funds are available for training, the short-cuts will continue to be used. Unused funds can be used for equipment maintenance," Kasenda said. The KSAL pointed out that the impact of the recession that struck the world recently also had a great affect on the Navy. With limited funds, not much in the way of results could be expected from training. Nevertheless, results comparable with those of the past can be achieved with the new short-cuts. After attending the Navy Training Day ceremony, Kasenda officiated at the opening of Hang Tuah University on Teluk Bayur Street in Surabaya. This private

university is operated by the Nala Foundation, which is subordinate to the TNI-AL. [Text] [Jakarta KOMPAS in Indonesian 14 May 87 p 6] 6804/12859

NONOIL EXPORTS DISAPPOINTING--Jakarta, 18 May--The reason behind the replacement of the director general of foreign trade and the director general of domestic trade within the Department of Trade was a desire for greater progress, according to Rachmat Saleh, S.E. [master of economics], minister of trade, when he installed the new directors general of domestic trade and foreign trade on Saturday [16 May] in Jakarta. Earlier, in his remark to the new appointees, Minister Rachmat Saleh voiced his concern about the level of our nonoil/gas exports in relation to the still less favorable world trade atmosphere. It is one that offers little fresh hope for the growth of our exports which still cannot be expected to meet the target. In the calendar year 1986, Indonesian nonoil exports were valued at \$6.6 billion, an increase of \$600 million over the previous year's exports. This increase, he said was a big one. However, in fiscal year 1987-88, the challenge will be even greater because exports must rise some \$1 billion over the past year's exports. To meet this target it was hoped that the value of Indonesian nonoil exports would reach about \$625 or \$630 million in every month of this fiscal year. However, what has happened is that in January only \$530 million was achieved and in February the value of exports rose slightly to \$570 million. According to the minister, the highest value of nonoil exports ever achieved by Indonesia was reached in December of last year, \$612 million. "We shall never again achieve this figure for our nonoil exports," he added. [Text] [Jakarta SUARA PEMBARUAN in Indonesian 18 May 87 p 11] 6804/12859

CSO: 4213/88

SISAVAT KEOBOUNPHAN ORDERS IMPLEMENTATION OF ECONOMIC REFORM

Vientiane VIENTIANE MAI in Lao 10 Mar 87 pp 1, 4

[Article: "All Main Production Units Must Change to the New Mechanism by the End of This Year"]

[Text] During the annual meeting of the party committee and the administrative committee of Vientiane capital on 2-5 March, Sisavat Keobounphan, member of the party Central Committee Politburo and secretary of the Vientiane capital party committee, gave a speech to warn and guide the main business production units throughout Vientiane capital in their primary duty. They must carefully work on changing to the new economic management mechanism. He emphasized that by the end of this year all Vientiane capital main business production units must struggle hard to bring about a basic change in their work area to the new economic management mechanism.

Mr Sisavat also stated firmly that besides changing to the new business methods of production, the production sections must also review extensively the expansion of their work sections and carry out a closed-circuit type of business, raise the quality of their goods, and achieve profits from the new business. They must extensively create new products in order to serve the public, and they must also become an important resource for the immediate future.

Since the end of 1986, the four main business production units in Vientiane capital that have already succeeded in shifting to the new economic management mechanism are the Brick and Tile Factory, the fish sauce, fermented fish and ice factory, the agricultural Tool Factory, and the Kok Sa-at Salt Factory. In Vientiane capital there are now 22 state factories, 6 government-privately owned factories, 37 state stores, and 197 collective stores (co-ops for buying and selling). There are two large companies, the Import and Export Co. and the Export-Import Corp. In 1986 the gross production for industrial and manufacturing products increased by a factor of 1.15 as compared with the figure for 1985, and exports increased by 11.93 as compared with the figure for 1985.

9884/9599  
CSO: 4206/108

ECONOMIC REFORMS BOOST VIENTIANE REVENUES; RICE PRICES NOTED

Vientiane VIENTIANE MAI in Lao 12 Mar 87 p 2

["Our Capital" column by Sengsouli Sonsoulin: "Going for Business Completely"]

[Text] Over the past year, the cadres in each main business enterprise unit for industry, manufacturing, and trade in Sikhottabong District, Vientiane capital, totalling 113 people including 46 women, applied themselves to carry out their actual work efficiently, and as a result they were able to earn a total of over 230 million kip from business, including 42 million kip from stores and over 26 million kip from co-ops. They also paid a total of over 790,000 kip to the treasury. This was accomplished by implementing the resolution of the party committee and the Vientiane Capital Administrative Committee on making the district industry, manufacturing, and trade a force for production, circulation, and distribution by changing the main economic units to complete business units in accordance with the new economic management mechanism.

By following the policy of the party and the government creatively and on the basis of the actual work, the Sikhottabong District trade sector was able to guide each main business unit to achieve self-mastery in many ways, to become outstanding during the past year. Regarding rice purchase and exchange, within only 3 months, from September to November 1986, the total rice purchase came to over 212 tons, rice exchange amounted to over 597 tons and the agricultural tax of more than 298 tons came to a total value of over 18 million kip. Sikhottabong District trade also carried out the purchase of materials and goods from the center and the capital 2 percent over the plan, as well as purchasing a number of forest, ricefield, and handicraft products from localities.

The trade sector in Sikhottabong District now consists of a total of 48 main enterprise business units, of which 3 are state stores, 4 are barber shops, 21 are collective purchase and exchange units and 9 are trade co-ops. It also includes restaurants, government employees' stores, cadres' meat and fish stores, a rice purchase and distribution store, a lumber factory, an arts and handicrafts factory, a factory for spinning cotton and tailoring, an ice making factory, a handicrafts co-op, an electricity repair co-op, and a lumber co-op. The district also mobilized and gathered a total of 1,084 main unit bases for business, industry, manufacturing, and private trade.

## FIRM'S HARD CURRENCY, KIP EARNINGS REPORTED

Vientiane VIENTIANE MAI in Lao 11 Mar 87 p 2

["Our Capital" column by Sengsouli Sonsoulin: "An Outstanding Company"]

[Excerpts] Various enterprise companies have gradually been changing over to the new mechanism of economic accountability and socialist business. The International Construction and Mailing Co.--an outstanding company in Vientiane capital that was formerly known as Construction and Decoration Company No 1 under Vientiane Decoration (Kh kh P K section, Vientiane capital)--was set up on 3 March 1986; it has begun doing a brisk business in construction, housing repairs, and wrapping and sending packages for diplomats (embassies) in residence and for other experts and international organizations. Its imports and exports to every corner of the globe are earning foreign currency income. The company has also opened a number of construction materials supply stores, set up a furniture division, and established a brick-making plant in Ban Keun.

The International Construction and Mailing Co. is located in Phonsai Ward, Saisettha District, opposite the Ministry of Finance and the Ministry of Trade. It employs a total of 146 people, of whom 24 are women and 93 are members of various mass organizations. A committee of three comrades is responsible for it; the work of the organizing and administrative office is divided into two main parts: an indirect production division containing three sections--a finance, materials supply, and furniture store section; a techniques, design and calculating section; and a technical inspection and quality control section--and a direct production division consisting of seven divisions--housing construction, repairs (accepts currency), construction and repairs (specifically for international organizations), construction and repairs (accepts kip currency), furniture production (for at home and abroad), brick production with a restaurant construction materials section, and a division especially set up for the purpose of housing construction and repairs for diplomats.

From the time the International Construction and Mailing Co. was set up in Vientiane capital with the aim of making the plenum of the first congress of the Vientiane capital party committee a reality, the cadres, workers, and government employees in the company have struggled to carry out their duty with solidarity and determination in business affairs well, and have effectively linked business methods with various work sections. During the



first year it achieved the following results. It successfully carried out seven construction projects (for currency), achieved 100-percent success in eight construction projects (for kip), had 100-percent success in 10 repair projects (for currency), and succeeded in the plan for wrapping and sending packages on one project (for kip) and for wrapping and sending 630 tons of packages (in currency), which enabled the company to earn profits and to carry out its obligation to the treasury of approximately \$15,000 and 1,469,463.84 kip. It also helped to supply a number of materials to various companies. The cadres, workers, and government employees in the company will work hard so as to accomplish 30 housing construction and repair projects (in kip and currency), 18,000 tons of wrapping and sending packages, and handling of the international importing and exporting of goods. They will try to produce 30 sets of furniture for export (in currency) and will try to earn (in currency) over four times more income than for 1986 and kip as well.

The company will also construct a sawdust and husk industrial factory to supply the Brick Production Division, improve the existing restaurants and government employees' stores in order to raise the standard of living for the cadres and workers, and continue to improve the company's business relations with other nations, etc. By now over 30 percent of the plan has been successfully carried out.

9884/9599

CSO: 4206/108

## BRIEFS

SWEDISH AID AGREEMENT--On the evening of 18 May a memorandum was signed by Mr Khamphet Phommavan, assistant chairman of the State Planning Committee of Laos, and Mr Olaf Ternstorm, the Swedish ambassador to the LPDR, stating the terms of the cooperation between Laos and Sweden for the following years. Assistant chairman Mr Khamphet Phommavan and Mr Burge Lyunggren, assistant director of SIDA (Swedish International Development and Cooperation Agency), also signed a memorandum on monitoring the plan for assistance and cooperation between Laos and Sweden from now to 1988. According to the two memoranda, Sweden will provide Laos with 111 million krona in aid. The first memorandum specifies that aid from Sweden in the amount of 60 million krona will deal with forestry, for example, wood manufacturing, limiting hill farming slashing and burning, and tree-cutting for the 3 years 1986-1988. The second memorandum states that Sweden will provide assistance with construction equipment for the purpose of communications and transportation, machinery repairs, etc. from 1986 to 1988 in the amount of 51 million krona. [Text] [Vientiane PASASON in Lao 20 May 87 p 1] 9884/12859

USSR ADVISORS AT TECH SCHOOL--The Savannakhet Technical School is an important institute for Savannakhet Province and also for the country, in training workers in six southern provinces. It has two sections, a 2-year basic-level system and a 3-year mid-level system. The school has a fairly large student workshop resulting from cooperation by the USSR. Mr Khambon Chanthavong, chief of the board of directors for the school, told us that there was a total of over 400 people, including 76 women. Of these over 120 are teachers, cadres and government employees, and 280 are students. Of the students, 145 are mid-level, 7 are specialized training cadres, and 61 are students from the 6 southern provinces. Besides sharing time teaching, the Soviet experts in the technical section have been invited to share their experience. The teachers have taught over 7,000 hours, and in several subjects and classes the number of hours taught has exceeded the expectation. [Excerpts] [Vientiane PASASON in Lao 20 May 87 p 2] 9884/12859

VIENTIANE SECURITY, MILITARY RECRUITMENT--Throughout 1986 the cadres, combatants, and government employees throughout the Public Security Service Headquarters in Saithani District, Vientiane capital, all attentively carried out their duty with a high sense of responsibility. Their achievements included the holding of three sessions for political document and regulation studies with over 140 attendees and the mobilization of over 400 youth who voluntarily served the nation by guarding offices and organizations and by providing complete security for domestic and foreign guests. [Excerpt] [Vientiane VIENTIANE MAI in Lao 14 Mar 87 p 1] 9884/9599

BUDGET DELIVERS SURPLUS, POLITICAL ADVANTAGE TO LABOR

Main Points Summarized

Auckland THE NEW ZEALAND HERALD in English 19 Jun 87 p 1

[Text]

Main points in the budget are:

- A budget surplus of \$379 million, achieved in part by the sale of Government assets worth an estimated \$1650 million.
- The proposed sale of a 25 per cent stake in Air New Zealand and shares in the Development Finance Corporation and Petrocorp.
- A crackdown on the use of overseas tax havens and the practice of "double-dipping."
- Confirmation that personal tax on dividends from shares will effectively end next year.
- Small increases in the income limits for Family Support and the surtax on national superannuitants' other income.
- An 8 per cent increase in the guaranteed minimum family income, giving a family with one child a weekly income of at least \$270.
- Legislation setting up a company to run Auckland International Airport.
- Major reviews of spending on defence, social welfare, housing and education.

Auckland THE NEW ZEALAND HERALD in English 19 Jun 87 p 1

[Article: "Water Into Wine--Government Claims First State Surplus in 35 Years"]

[Text]

**The Minister of Finance, Mr Douglas, produced an election-year budget which showed the first apparent surplus in the public accounts for the first time in 35 years.**

A tax revenue bonanza and a proposed sale of shares in Air New Zealand and other state-owned enterprises gave the Government a bonus which few observers had anticipated.

The result was a forecast budget surplus of \$379 million, compared with a deficit of \$1952 million in the last financial year.

Claiming the surplus as a spectacular success for the Labour Government's policies, Mr Douglas remarked that the last time the Government had earned more than it spent was during the Korean War wool boom in 1952.

"The surplus is the best news any election-year budget could give the homeowners and families because it paves the way for lasting lower inflation and lower interest rates," he declared.

Unusually, the turnaround was achieved without any increase in taxes on cigarettes, alcohol, petrol or any of the other common targets of successive Finance Ministers.

But Mr Douglas was assisted by once-only revenues from the transfer of state trading enterprises to new corporations and the planned sale of shares in Air New Zealand, the Development Finance Corporation and Petrocorp.

Without them, and debt repayments by the Housing Corporation and the Rural Bank, the Government would have still been in the red to the tune of \$1271 million.

Last night's budget was otherwise a "business-as-usual" document, as Mr Douglas had hinted last week.

As expected, it gave some relief to modest-income families by increasing the minimum family income for couples with one child by \$20 a week to \$270 and lifting the income limit for full Family Support payments to \$15,000 a year.

### Handouts

National superannuitants also won some relief from the Government's controversial surtax on their other income, though this concession still fell behind inflation.

But Mr Douglas steered clear of substantial handouts which might have been regarded as deviating from his tight economic policies or offering pre-election bribes.

Budget gifts might also have compromised what Mr Douglas described in the budget as an imperative need to reduce the public debt.

While not as alarmist as the Australian Treasurer, Mr Paul Keating, who said his country risked becoming "a banana republic," Mr Douglas gave warning that servicing the debt could become a crippling cost on the community.

"We must stop borrowing and start repaying," he said.

"We need to demonstrate to the international financial community that we are continuing to act in a responsible manner.

"Unless we do this, we risk a loss of confidence in the New Zealand economy and all the social and financial instability that this would cause."

### Tax Havens

Mr Douglas, while ruling out major cuts in social services spending as socially disastrous, announced major reviews of social welfare and housing administration aimed at savings through greater efficiency.

He also confirmed the Government was to move against companies trying to escape the New Zealand tax net by shifting their profits into overseas tax havens.

He said the abolition of double taxation on dividends — the so-called full imputation system — would be brought into effect in the 1988-89 financial year.

But the Leader of the Opposition, Mr Bolger, claimed the budget's tax "grab" would cut into people's spending power.

"I am certain that not only would Michael Joseph Savage turn over in his grave but that so would Mr Douglas' grandfather [Mr Bill Anderton, an MP in the first Labour Government]."

The leader of the Democratic Party, Mr Neil Morrison, said the apparent budget surplus was "a lie."

## Surplus Queried

Auckland THE NEW ZEALAND HERALD in English 19 Jun 87 p 3

[Article by Simon Collins]

[Text] The budget deficit announced last night really is the lowest for 10 years—but in real terms it is certainly not a surplus.

The Minister of Finance, Mr Douglas, has understandably succumbed to the pre-election temptation to include \$1650 million from one-off asset sales and debt repayments in the figures to produce a cash surplus of \$379 million.

But in real terms, on an ongoing rather than one-off basis, the Government is still spending more than it is earning.

### Held Steady

The amount of this "financial deficit" — \$1271 million — is, nevertheless, the lowest as a proportion of the country's national income since 1977-78. It is a \$623 million improvement on last year's financial deficit of \$1894 million.

The budget calculates that, after excluding special one-off factors, total Government expenditure will rise by only 12.2 per cent in this financial year.

This is slightly less than the expected inflation rate of 12.5 per cent predicted today by the Institute of Economic Research. In real terms, therefore, expenditure is being held steady.

But excluding asset sales and other one-off factors, the Government is expecting to rake in an extra 18.7 per cent in revenue.

The main reason for the halt in the expenditure increases of recent years is the decision by the Government last year to change the basis for calculating national superannuation from the consumer price index to the average wage.

Average wages have risen by less than prices in the past year, and are ex-

pected to stay behind inflation this year.

The result is that national superannuation — the biggest single item in Government expenditure — will rise in cost by only 5.7 per cent. In real terms, superannuitants will be about 6 per cent worse off.

The main factors in the increase in ongoing revenue are:

- The new goods and services tax, which will be in force for a full year for the first time this year. Excluding GST paid by the Government to itself, GST revenue will rise from \$898.7 million last year to \$3080 million this year.

- The unexpected tax "windfall" at the end of the last financial year in March. Taxpayers paid \$1.2 billion more than expected then, and the Treasury has reworked its figures for this year on the assumption that \$900 million of this was an ongoing increase in the real tax base.

- An increase of \$451 million (28.5 per cent) in interest, dividends and other non-tax earnings, largely from the new state corporations.

- A further \$191 million in extra tax revenue from state corporations.

- An estimated \$280 million extra from changes made in the last budget to the treatment of interest and depreciation for businesses.

● An extra \$140 million from the first full year of the higher taxes on cigarettes and petrol, also announced last year.

In effect, in all of these gains, Mr Douglas is reaping the rewards for decisions taken earlier in his three-year stewardship of the finance portfolio.

He believes that the decision to sell shares or "equity bonds" in Air New Zealand, Petrocorp, the Development Finance Corporation, Government Property Services and the Forestry Corporation will reap similar dividends in the future, because of the consequently lower burden of the national debt.

But this gain will be offset by the loss of the profits which these corporations could have been expected to pay to the Government in the future, if they had stayed in state hands.

### **Transfer**

Similarly, the payments expected from the new state-owned corporations which were created on April 1 are not real gains in themselves. They are merely a transfer from one arm of the Government to another.

However, Mr Douglas hopes that both corporatisation and the sale of shares to the private sector will be a spur to increased efficiency, and so to better earnings in the future for the Government as the major shareholder.

Treasury officials said the budget included \$1400 million in revenue from asset sales this financial year.

About \$700 million of this is expected to come from the sale of shares and equity bonds to the private sector, and another \$700 million from the transfer of assets to the new state corporations.

In addition, the Rural Bank will repay debts of \$300 million, and the Housing Corporation will repay \$200 million.

On the other hand, the budget allows for a \$250 million payment by the Government to restructure the new Post Bank, which was announced on March 31.

This leaves a net income from asset sales and debt repayments of \$1650 million, which turns the financial deficit of \$1271 million into a cash surplus of \$379 million.

## Education Gains

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 p 5

[Text]

### Wellington Staff

The Minister of Education, Mr Marshall, believes he is winning a battle in the Government against any increase in user-pays charges for either school certificate or tertiary education.

He said at a post-budget briefing yesterday that he had won an extra \$13 million for education, in addition to money for existing policies.

Most of the extra — about \$8 million — will be used to teach people how to be better parents, and for other programmes recommended by the Roper committee on violence.

A further \$3 million is already being spent on extra secondary teachers approved early in the year, and most of the rest will go towards teaching handicapped children within the main primary school system.

But Mr Marshall was particularly pleased about a \$300,000 allocation which has enabled him to hold school certificate fees this year at the same level as last year, despite rising costs and pressures for user-pays charges.

"This represents a turnaround from a previous cabinet decision to move towards full cost recovery," he said.

"There is implicit in that a decision to phase out fees."

Mr Marshall said the decision to keep fees relatively low last year had contributed to the marked increase in the number of people sitting school certificates.

He said he was also increasingly confident that the Government would reject a proposal for replacing bursaries for university and technical institute students with loans.

The idea was one of several put up in a paper prepared by the cabinet committee on employment and training chaired by the Associate Minister of Finance Mr Richard Prebble.

Submissions on the paper were due by June 1, and a review team will report on them to the Government as part of a wider review of tertiary education after the election.

"As time goes on, more and more information becomes available about the implications of loans," Mr Marshall said.

"One of the reasons for doing the review was to get more information, and I think overseas information particularly is beginning to show that the social and economic effects of user-pays in education are very bad.

"But the question still remains how we keep on funding the very expensive tertiary education systems."

Mr Marshall said he was very encouraged by an article arguing against education 'vouchers' which was distributed a week ago by the Prime Minister, Mr Lange.

But he said it would cost \$2 million a year to increase the present tertiary bursary by just \$1 a week, and he hoped the review would come up with a new, but not very expensive, system.

The cabinet has already turned down a request from Mr Marshall last month for an extra \$13 million for universities this year.

## Bolger Alleges Accounting 'Trick'

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 p 5

[Text]

### NZPA Palmerston North

New Zealand stands a real chance of having to seek emergency financial help from overseas, the Leader of the Opposition, Mr Bolger, said in Palmerston North yesterday.

Mr Bolger said the growth in Government debt had to stop.

"Debt is already too high and simply cannot be allowed to get any higher," he said.

"If borrowing doesn't stop we risk a real financial crisis, specially with our overseas creditors."

Mr Bolger, delivering the first of this year's winter lecture series at Massey University, said New Zealand's total overseas debt at the end of March was at least \$48 billion, — not the official \$35.8 billion.

He said it would take the country's entire income for a year to pay this off.

Mr Bolger accused the Minister of Finance, Mr Douglas, of an accounting "trick" in the budget.

The "alleged" budget surplus of \$379 million really amounted to a deficit of more than \$1100 million.

Mr Bolger also forecast that unemployment could nearly double to 150,000 under a re-elected Labour Government.

"The budget makes provision for a 23 per cent increase in unemployment, benefit payments this year."

Mr Bolger said a National Administration would privatise a range of activities run by the state.

And National welcomed financial deregulation.

"For that reason we have pledged not to reintroduce exchange controls, not to set interest rates by regulation and to continue to float the New Zealand dollar."

National would also move away from country-wide wage awards.

"We will let wages and conditions of work be set at company or factory level where that is appropriate.

National would fight inflation by controlling Government spending, reforming wage-fixing mechanisms and changing monetary policy.



## Muldoon: Budget Ignores People

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 p 5

[Text]

**The former National Prime Minister Sir Robert Muldoon says the 1987 budget has ignored the needs of New Zealanders.**

Sir Robert, who brought down 14 budgets during his terms as Minister of Finance, yesterday accused his Labour successor, Mr Douglas, of being a man fascinated by facts and figures.

Sir Robert told about 190 lunch guests at an Auckland National Party function: "It is not a budget that thinks in terms of people.

"If there is one label for this budget it is the label that it ignores the people of New Zealand."

Sir Robert said the economy was not simply a collection of figures, algebra in textbooks or a "lot of beady-eyed lecturers in universities."

An economy was people and the budget had done nothing for them. As a result, the Government would pay the price on election day, Sir Robert predicted.

The Douglas budget, the minister's fifth, contained nothing to assist people in rural communities who relied on a healthy farming sector, said Sir Robert. It had not given any direction to put growth back into the economy.

"In my view he could have given a boost to production. That is its principal failure," Sir Robert said.

He also condemned the budget for concentrating "excessively" on the deficit, estimated by Mr Douglas as a surplus of \$379 million, achieved partly through the sale of Government assets such as shares in Air New Zealand and Petrocorp.

Rejecting claims in the budget that the figure would result in lower inflation and reduced interest rates, Sir Robert said the calculations amounted to a "confidence trick."

New state corporations would have to borrow to pay for publicly owned assets, passing on their bills in higher costs to consumers.

Sir Robert said New Zealand was locked into high interest rates which would take some time to fall.

He added: "Inflation down? I'd have to say no."

Sir Robert, the MP for Tamaki since 1960 and a candidate once more this year, predicted a narrow National victory in the poll.

He expected to play a campaigning role as a number eight forward: "You know, getting stuck into anything that's going."

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 p 6

[Commentary in the "Politics" Column by Simon Collins:]

[Text]

**Once again the Minister of Finance, Mr Douglas, has broken the bounds of what most observers thought was politically possible for a Labour Government.**

Just two months before a general election, his budget on Thursday threw Labour traditions to the wind and outflanked the National Party by proposing the imminent partial privatisation of Air New Zealand, Petrocorp and other state corporations.

The Auckland entrepreneurs who chair the Forestry Corporation and Government Property Services Ltd immediately expressed the hope that this was just the first step towards full privatisation.

And Mr Douglas himself used a seminar organised by the Institute of Policy Studies on the day of the budget to pose the question, "Why should the state own an enterprise?"

### **Examples Of Waste**

"I would hope there would be quite a lot of public debate here and within the community at large," he said.

After listing the reasons the state became involved in each of its major trading activities, Mr Douglas then listed a series of examples of consequent waste and inefficiency.

In contrast, he cited eight people in a former Forest Service logging gang who had left the public service and now did the same work on contract for the Forestry Corporation in four days instead of five.

The message was clear. In economic terms, Mr Douglas has concluded that state trading agencies are inevitably inefficient unless subjected to the discipline of the competitive market.

And in constitutional terms, he was equally explicit.

"Are the classical principles of ministerial responsibility under the Westminster system compatible with good business management?" he asked.

He replied: "The answer is undoubtedly no."

The budget has forced New Zealanders to confront the whole complex issue of the role and organisation of the modern state.

### **Remaining Apparatus**

The first stage of reform of the state — the nine new corporations created on April 1 — was messy enough. Some 5000 public servants became redundant, and 5000 others are now in the painful process of adjusting from a service role to one of making money for the new corporations.

The budget confirmed that this was just a first step in a more comprehensive review which is querying the need for, and appropriate role of, every remaining part of the state apparatus.

The impetus is coming in part from the Treasury, which told the Royal Commission on Social Policy this week that it saw its role as reviewing every Government intervention in society.

It is being led by a group of radical reformist politicians including Mr Douglas, the Prime Minister, Mr Lange, and his deputy, Mr Palmer.

Their radicalism differs only in degree from that of some National MPs such as Ruth Richardson, who de-

clared this week that in the extension of the market culture, "the unfinished agenda is the delivery of the human services of health, education and welfare."

But a new book on corporatisation by a consultant to the Treasury, Mr Peter McKinlay, suggests that governments of either party will be driven to privatise the new corporations by the logical progression of changes which have already been set in train.

He says it would be logical for the Forestry Corporation, for instance, to emulate other forestry companies and try to take over other firms to give it a diversified business.

### **Buy Firm In Chile**

"What would be the reaction if 'the Government' was to join in a takeover battle for NZ Forest Products?" he asks.

"What if, in order to secure markets or processing plants, the Forestry Corporation sought to purchase a business in Chile or North America?"

He suggests that when this does happen, the Government of the day will be forced to choose between privatising the corporation or frustrating its entrepreneurial managers.

Mr McKinlay argues that state trading agencies have failed to earn an adequate return on the valuable resources they have been given because of persistent political interference and limits which Governments have placed on their borrowing.

He suggests that merely corporatising them will not solve the problem, because overseas and perhaps local lenders will continue to see them as part of the Government.

Any increased borrowing by the corporations which adds to the total public sector debt may, therefore, cause international moneylenders to demand higher interest rates before lending money to the New Zealand Government.

### **Decisions, Trivia**

Instead, Mr McKinlay believes it is time to think about the various ways in which state activities could be shifted into the private sector.

He offers a variety of them, ranging from contracting out social services by competitive tender to selling agencies to their workers or to the public, or even giving them away to the whole population.

For what remains of the public service, Professor John Roberts suggests, in another book,\* that the size and complexity of the modern state should be recognised by splitting the major policy decisions away from the administrative trivia.

Detailed administration could be handed over to managers under appointed boards, operating under clearly stated rules on the model already adopted for the new state corporations.

A separate "policy service" could then be created to advise ministers on the broader issues involved in "making the rules," staffed partly by specialists on short-term contracts approved by the minister they would work for.

Already the State Services Commission has drawn up a draft model for the new form of administrative departments.

The Treasury, meanwhile, is working on its own ideas for reorganising what is left of the public service into new "super-departments" covering broad fields such as social equity or resource management.

In all of this, a more sceptical note was struck at the Institute of Policy Studies seminar by a British Labour MP, Dr Austin Mitchell.

### **No Solid Evidence**

"I do react negatively against this kind of cosmic thinking that passes for analysis these days," he said.

In his view, there was no solid evidence that private enterprise was necessarily more efficient than state enterprise.

On the other hand, public agencies were more likely to take a longer-term attitude to investment, and less likely to cut corners which could lead to disasters such as the recent sinking of the British ferry *Spirit of Free Enterprise*.

Others at the seminar argued against public sector reforms which shifted power away from elected ministers to appointed boards.

Many bureaucrats themselves were worried that, between the twin forces of "commercialisation" and "politicisation," the traditional politically neutral public service would be squeezed out of existence.

In the wake of the budget, the debate over the

future of government has now moved beyond the corridors of the bureaucracy. It remains to be seen how far New Zealanders want to go down the road Mr Douglas has laid out before them.

● **\*Corporatisation: The Solution for State Owned Enterprises?** by Peter McKinlay (\$13.99), and **Politicians, Public Servants and Public Enterprise**, by John Roberts (\$29.95), are published by the Institute of Policy Studies, Victoria University of Wellington.

## Opposition MPs 'Subdued'

Auckland THE NEW ZEALAND HERALD in English 19 Jun 87 p 3

[Text]

### Wellington Staff

The Prime Minister, Mr Lange, could hardly conceal his glee as the budget reading rose to its climax last night.

Opposition members had been calling for the Minister of Finance, Mr Douglas, to cut out the history lesson and get to the point.

"Is this the little boomer?" the National MP for Whangarei, Mr John Banks, said as Mr Douglas harked back to the halcyon days of the first Labour Government, and followed this with an outline of recent economic problems.

"You wait and see," Mr Lange said, lounging back and grinning over his glasses.

When the secret was out — a surplus instead of a deficit for the first time in 35 years — the House exploded.

Government MPs broke into prolonged applause.

### Deep in Budget

The Opposition jeered and cried "Fraud," but they had little real ammunition to fire back.

The Leader of the Opposition, Mr Bolger, and his deputy, Mr Gair, side by side, spectacles perched on noses, had their heads down deep in their copies of the budget.

With the absence of Sir Robert Muldoon — away delivering a speech in Auckland — it was up to the likes of the MP for Rotorua, Mr Paul East, and the MP for Tauranga, Mr Winston Peters, to strike some sparks into the debate.

"This'll be the short bit," the irrepressible Mr Peters said, as Mr Douglas announced he would now

move on to review the Government's achievements.

The obligatory heckling and clapping from the opposing sides continued, but once the high point had been hit with the surplus announcement, there was a feeling of anticlimax in the ranks.

### Haloed

The audience in the almost full public gallery, which included the financier and former political leader Mr Bob Jones, was quietly attentive.

Mr Douglas looked relaxed from the moment he walked in, flanked by his fellow finance men, Mr Prebble and Mr Caygill, and haloed by bright television lights.

His introduction, well sprinkled with references to the former Labour leaders, Michael Savage, Peter Fraser and Walter Nash, brought boos and jeers from the Opposition benches.

A reference to Mr Douglas' grandfather, Mr Bill Anderton, prompted shouts of: "He's be spinning in his grave."

The first real hubbub came with the announcement that shares in Air New Zealand would be sold. Mr Douglas was briefly drowned out by sardonic applause from Opposition members.

### Retired

But for the most part their reaction was subdued, and while some Government MPs looked slightly smug, most were merely impassive.

Mr Peters retired into a crossword, while Mr Douglas outlined the benefits of GST and then moved on to anti-tax haven legislation and changes to Family Support and that national superannuation surcharge.

One of the lighter moments came with the announcement of a major review of defence: "User pays," one wit called out.

Mr Douglas wound up his speech with a return to his theme of the old Labour traditions — and Government members rose in an orderly fashion to give him the expected standing ovation.

## Former MPs Endorse Rogernomics

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 p 4

[Text]

Two surviving members of the first Labour Government yesterday came down firmly on the side of Rogernomics.

They endorsed the free market, deregulated approach of the Minister of Finance, Mr Douglas, as appropriate for the times.

And they approved of claims made by Mr Douglas in his budget speech that the fourth Labour Government had pursued the same goals that fired the first Labour Administration which won power in 1935.

One of the first Labour MPs, Mr Lorrie Hunter, who represented Manawatu from 1935 to 1938, said: "I believe Douglas is on the right track. I am a common-sense person and I can see what he is trying to do."

The 87-year-old Mr Hunter, who lives in retirement in Auckland, added: "In my opinion this boy has done a tremendous job in three years. He needs another three to get things established."

### Endorsement

"If in that time he has not got it right then he has to make room for someone else."

"I am satisfied that if Mickey Savage got up from the grave--and I wish to God he could but he cannot--he would see the changes since the 1930s and say the economy needed a different approach."

Another of the original Labour MPs, Mr Ormond Wilson, said from Wellington: "The situation has changed. It is quite appropriate to adopt a new approach to our difficulties."

Mr Wilson, who represented Rangitikei from 1935 to 1938 and Palmerston North for the final term of the first Labour Administration (from 1946-49) said it was "old fashioned" to hang fast to ideas 40 to 50 years on.

"I endorse Rogernomics for the eighties," Mr Wilson said.

"We were on the right track in the 1930s. We were in touch with Keynes in those days."

(John Maynard Keynes was the British, Nobel prize-winning economist whose theories were grasped by Depression era governments to solve unemployment).

### Socialist 'Spinning'

Mr Wilson said: "The approach today is different because the world is different."

Another Labour veteran, Sir Arnold Nordmeyer, widely remembered for his so-called Black Budget of 1958, declined to comment yesterday.

But the man who wrote more budgets than any other New Zealand Minister of Finance, Sir Robert Muldoon, slammed Mr Douglas yesterday for his obeisance to Labour figures of the past.

Sir Robert, the author of 14 budgets during National's years of rule, said he wanted to visit the Mickey Savage memorial at Bastion Pt "to see whether the old socialist turning in his grave had cracked the monument."

The former Prime Minister, addressing a National Party luncheon club meeting in the city, said that the famous Labour leader had been "spinning because this Government calls itself Labour."

### Rebels Similar

He upbraided Mr Douglas for suggesting that his grandfather, Mr Bill Anderton, had been a member of the Savage Government. In fact, said Sir Robert, Mr Anderton was a Labour backbencher and not, as had been implied by Mr Douglas, a member of the Savage cabinet.

Sir Robert said it was a pity that Mr Douglas did not have more to say about "men of principle" in the Labour Party, such as his father, Mr Norman Douglas, an MP for Auckland Central.

Sir Robert recalled that Mr Norman Douglas had quit the Labour Party with John A. Lee because they believed Labour had deserted its beliefs.

The two Labour rebels had many similarities, Sir Robert said, and they had both lost an arm.

Mr Norman Douglas was an outspoken man of strong beliefs, Sir Robert said, "too strong for the Labour Government."

## Mixed Reaction Noted

Auckland THE NEW ZEALAND HERALD in English 19 Jun 87 p 2

[Text]

Mixed reaction greeted the budget last night.

The president of Federated Farmers, Mr Peter Elworthy, dismissed the budget as a political statement aimed at the election.

"Where are the brave measures which will result in a drop in Government spending?" Mr Elworthy asked.

"Where are the measures which will pull interest rates down dramatically?"

"Unless this budget results in an immediate, sustained drop in interest rates, it will go down in history as merely a skirmish with words."

Mr Elworthy said he was most concerned to find that a large factor in reducing the fiscal deficit was a huge increase in the tax take, up 22 per cent.

"We're deeply worried by the 16 per cent increase in social spending, which is more than one-quarter of gross domestic product," he said.

"We note fine words but a very timid approach to reducing protection.

"And we point out that farmers cannot wait two years for inflation to drop to reasonable levels — the aim of 4 per cent inflation must happen far sooner than that."

The chairman of the Chamber of Commerce tax committee, Mr John Dodds, said the budget gave continuity which was good for the business sector.

"We are generally pretty happy with the budget," Mr Dodds said.

"We feel in the medium term there will be interest

rate reductions as a result of either the surplus or the reduced deficit.

"Although it is not exciting enough for the share market to rise amazingly, minor recoveries will continue."

Mr Dodds said that although there was a minor relief for some sectors, this was no an "electioneering" budget.

"It is hard not to like it. Roger Douglas is a model of consistency."

The president of the Manufacturers' Federation, Mr Don Rowlands, said the budget failed to remedy the problems of flagging industrial investment.

"It seems that the present hostile manufacturing climate will continue," he said.

Of particular disappointment was the Government's continued lack of recognition of the importance of research and development.

"Manufacturers are glad to hear Mr Douglas' estimate that inflation and interest rates will be internationally competitive in two or three years, but the Government is asking manufacturing to be competitive now," he said.

It had done nothing to help industry to span that time gap.

The Retail and Wholesale Merchants' Association executive director, Mr Barry Purdy, congratulated Mr Douglas on achieving "an apparent budget surplus."

However, Mr Purdy asked why Auckland Airport was to be split in half between the Government and local authorities.

"Why didn't the Government keep out of it?" he asked. "No doubt retailing would have welcomed greater relaxation on consumption."

"Although some of the major adjustments resulting from policies like selling the state-owned enterprises need more detailed study, if the budget surplus greatly reduces inflation, everyone will be pleased."

The Employers Federation said it was pleased with the general direction of the budget, and most people should be better off in the long run.

The acting president, Mr T. W. Fitzgerald, said last night that it was particularly pleasing to see the Government acknowledging its social role by helping those finding it difficult to adjust to the new economy.

The New Zealand Party congratulated Mr Douglas for parts of the budget.

The chairman of the party, Mr Stephen Greenfield, said he was pleased to see the first small moves towards reducing the overall burden of debt.

## Young Farmers 'Discouraged'

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 p 4

[Text]

NZPA

Wellington

The national president of the Federation of Young Farmers' Clubs, Mr Leo Vollebregt, says the Government has discouraged young people from working on the land.

Commenting on abolition of the farm ownership savings accounts scheme in the budget, he said purchase of a farm was now only for corporations, settled farmers and businessmen.

"It is not a realistic prospect for agriculturally skilled young people who could be assisted on to the land where they would have the incentive to be innovative and hard-working for a large number of working years," Mr Vollebregt said.

"It is obvious from moves over the past three years that the Government does not want to encourage one-family one-farm ownership, nor does it want to encourage young people into agriculture."

## Politics Viewed

Auckland THE NEW ZEALAND HERALD in English 19 Jun 87 p 6

[Editorial: "The Budget's Politics"]

[Text] If one word were sought to describe the Minister of Finance, it would surely be "consistent." In his fifth budget delivered last night, Mr Douglas continues the relentless line he has followed since Labour took office again three years ago.

He has eschewed the easy options a booming income and healthier fiscal balance might have allowed; he has, in effect, rewritten the election-year budget. There would be no handouts, we were told; there are none, apart from the obligatory minor gestures to those on family support and those suffering from the superannuation surcharge.

Yet there is good news in this budget, and not least in the acknowledgement that politicians can resist temptation. It would have been easy for Mr Douglas, as so many of his predecessors have done, to throw a boxful of goodies to the electorate with polling day close on the horizon; the healthy state of the reconstituted Government finances gave him that room for manoeuvre.

Instead, he has opted to claim--on one measure at least--the first budget surplus recorded for 35 years, and he promises some repayment of overseas debt. After the doom and gloom of much recent comment, the public must wonder if it is all quite real.

Much of it seems to be, although Labour's restructuring of the public service, with the hiving-off of some state-owned enterprises from last April, makes some direct comparisons difficult. That experiment still has to prove its worth, other than in strict budgetary terms.

Yet the figures show that Mr Douglas' tax reforms are likely to yield more income this year than even he might have expected. Income tax paid by individuals is expected to fall slightly, as the tax cuts of last October bite over a full year; company tax yields will broadly double, as loopholes are closed but with what effect on investment?), and the goods and services tax is expected to yield around 50 per cent more than originally estimated for a full year. Also contributing to a substantial increase in projected Government revenue are non-tax income from the sale of assets, dividends from the new state corporations, and interest on an increase in overseas reserves. Mr Douglas should be laughing all the way to the bank—or the polling place.

That he has not done so by declaring a national dividend in the form of tax cuts or increased spending in popular areas such as health, education or social welfare is greatly to his credit; it also suggests considerable political, as well as financial, acumen, and something of a gambler's instinct, as well.

Mr Douglas knows that there are big sections of the electorate which believe that the Fourth Labour Government has abandoned the aspirations of its predecessors; that it has, to use his own words, "focused only on the economy and not been concerned with the human issues of justice and fairness."

His reply, reaffirmed in last night's hard-headed document, is basically that the economy must be set right before there will be any jam. New Zealanders "... knew that radical change was necessary. They knew it would not be easy ... They are now beginning to see the benefits." Those for whom the benefits are still so much pie in the sky must at least admire his single-mindedness.

Yet the Financial Statement may, in a strange, paradoxical way, meet some sympathetic response among those who have yet to experience the promised fruits of Rogernomics. With its frequent invocation of the social reforms of the First Labour Government, its almost mystical incantation of the sacred names of Savage, Fraser and Nash — but not Kirk — it is as much a political plea as an economic declaration.

We are on the way, it says; we will not deviate. Stay with us and we will deliver you to the promised land. That argument has to convince voters two months hence. But it also cleverly challenges the Opposition. Dare National dive back into deeper deficits to cover pledges already made?



## Economics 'Matter of Perspective'

Auckland THE NEW ZEALAND HERALD in English 19 Jun 87 p 6

[Editorial: "...And, Not Least, Its Economics"]

[Text]

Einstein, riding in an old-fashioned open lift, saw the floors of the building moving downwards. A person standing on one of the floors saw Einstein moving upwards. So with the budget surplus: whether it is plus or minus may be a matter of perspective, if not of sloppy state accounting.

Mr Douglas, where it suits him, claims a 'surplus' of \$379 million. He or his successor may be pressed to produce it, but it is a happy target. That sum, however, excludes refinancing of major projects and producer boards, a burden amounting to

\$4.2 billion. And it includes once-only capital realisations.

Government bond sales locally will be adjusted for the surplus (but the new state corporations will borrow too) and will provide for repayment of up to \$600 million in overseas debt. Also, some state assets will be sold and the proceeds used to pay off debt. This is the proper use for such proceeds. In the circumstances, repayment of debt should be applauded.

As for the "surplus," it stands in comparison, though perhaps dubiously, with last year's deficit of nearly \$2 billion. The figure may be argued; at least the trend is right.

## Douglas Defends Budget

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 p 5

[Text]

The Minister of Finance, Mr Douglas, defended his budget yesterday with an attack on the economic and social policies of the National Party.

Speaking at a Citicorp lunch in Auckland, he said it was no joke to see a major political party (National) "flapping about like a hen with its head cut off" a few weeks before an election.

"The worst part is that the leadership of the Opposition has done nothing so far to sort the wheat from the chaff in the contradictory statements of its members.

### More Ambitious

"What that shows, quite simply, to my mind, is a fundamental failure to come to grips with what matters most to the economy and social future of this nation."

Mr Douglas said the 1987 budget — delivered in Parliament on Thursday night — was, in some senses, even more ambitious than the three previous ones he had introduced.

He said it was concerned with a new stage in the development of the conceptual framework needed to take the economy and the whole of society successfully into the 1990s.

"We have been free, in this budget ... to look at the next problem which could make or break New Zealand in the years that lie ahead.

### So Large

"There is a consensus on the identification of that problem: it is the level of Government debt that we as a Government and New

Zealand as a community has been saddled with.

"The debt is so large we cannot afford to let it grow further."

Mr Douglas also referred to the budget decision to sell off shares in Air New Zealand, the Development Finance Corporation and Petrocorp.

He said it was desirable that the performance of such organisations should be subject to the scrutiny of professional economic and financial analysts and the whole community.

"The best way to see both those things happen is to create a situation where at least some shares in the enterprise are available to the public and are capable of being traded on a basis of the organisation's performance."

## 'Electorate Credibility'

Auckland THE NEW ZEALAND HERALD in English 20 Jun 87 Sec 4 p 1

[Commentary by the Business News Editor: "Eyes Front"]

[Text]

The Minister of Finance has delivered a budget with incentives fore and aft.

There are no diverting lolly scrambles to take the focus off the carrot — the pledge of a budget surplus.

Mr Douglas says, in effect, with his mind on the August poll date, deny us continuing in office at the ballot box and you will deny yourselves all the good things that the carrot surplus means.

Keep going forward with us, he is saying, for that is the only way to escape and leave the debt time bomb behind.

In effect, if Mr Douglas can maintain that focus by public and financial

markets then he is more than halfway towards convincing the swinging voters there is no other way out of New Zealand's economic difficulties — no way back.

The days of issuing more new debt did have to end.

And here comes the difficult part. Mr Douglas rides a tricky mount into the Poll Day Stakes. It is named Treasury Bench, by Market Confidence out of Electorate Credibility.

/8309

CSO: 4200/671

ILETO: MILITARY 'VIRTUALLY HELPLESS' AGAINST PRIVATE ARMIES

Quezon City WE FORUM in English 5-7 Jun 87 pp 1, 2

[Article by Richie A. Benavides]

[Text]

**D**efense Secretary Rafael Ileto yesterday admitted that the military is "virtually helpless" in dismantling or even controlling armed groups like the vigilantes and warlord private armies.

At the same time, Ileto indicated that the inability to dismantle the vigilantes was not due to the military's weakness against them, but more because government lacks the political will to do so, as it wants to exploit the vigilantes' role in counter-insurgency.

"We can only license the firearms of these plain citizens who only want to defend themselves against the NPA," Ileto told newsmen at a luncheon conference of the Foreign Correspondents Association of the Philippines (FOCAP).

He said that confiscating firearms from plain citizens would be tantamount to leaving them defenseless and open prey to NPAs. "Our aim is to get the firearms of the NPAs,

not from the ordinary citizens," Ileto said.

Ileto's statement came a day after Ricardo Cardinal Vidal, archbishop of Cebu, expressed concern over the unchecked operations of so many vigilante groups, saying this trend could lead to a rise in warlordism because there is difficulty in setting apart those who claim to be vigilantes from the members of private armies.

There are no official policies governing citizens who band together into armed vigilantes. Ileto said the military can only "ride along" with vigilante groups especially since they have been proven to be effective against NPAs in many areas outside Manila.

Ileto also said these groups have not viola-

ted any laws as the constitution itself guarantees the right of citizens to arm themselves for defense. "Vigilante groups are entirely voluntary. They operate only within certain territorial limits. They are not registered with the SEC. So how can we disband something that is not even legally banded together?" he said.

Such groups, according to Ileto, have been very helpful, especially in intelligence operations against the NPA. Tactically, AFP operatives are encouraged to make use of this "network."

Asked if the AFP can win the insurgency war without this vigilante network, Ileto said the Army is capable of licking insurgency, but it could win faster with more vigilante groups. He disclosed that if certain areas could be saturated with armed vigilantes, the NPAs would be driven to isolated areas where they can be very "vulnerable to military operations" and the risk of getting civilians in the crossfire would be minimized.

When abuses like the beheading of suspected rebels by vigilantes was

brought up, Ileta was quick to reply that the now-famous "beheading scene" in a far-flung Davao town was merely "stage-managed." He said, "we sent investigators, because this was clearly an out and out crime. But we found out that some eager photographers got somebody from somewhere, maybe beheaded it and made some illiterate people hold it. That was all the story about this photo."

Ileta admitted that the NPA registered a 9 per cent growth this year, but said this was a much improved figure from 1984's 33 per cent and 1983's 40 per cent. He could not present a distinct figure of present NPA strength except to say that the military estimates 15,000 armed regulars.

Ileta also justified the lending of helicopters to film companies. He said it had been a long-standing

policy in the AFP to lend this kind of assistance to filmmakers. The chopper that recently crashed was just sitting at the Villamor Air Base, and was not actively used in insurgency or RECOM operations. It was to be used to air support of CAPCOM operations in the Metropolis.

He said that the request for 10 more helicopters from the US was intended more for logistic support, air evacuation and civic projects. The military has enough gunships, Ileta said.

The program for rebel surrenderees will also be an ongoing thrust of the government, Ileta revealed. The program has so far netted about 4,000 rebels but at least 2,000 replacements are also recruited annually. So far there has been no noticeable tapering off in the rebel ranks.

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CSO: 4200/667

RIGHTS GROUP REPORT QUEZON AFP, CITIZENS ARMY ABUSES

Quezon City WE FORUM in English 9-10 Jun 87 p 3

[Series by PNF: "A 'Dirty War' Rages in Quezon Province"]

[9 Jun 87 p 3]

[Text]

SAN PABLO CITY (PNF) - Whether it is a component of the Aquino regime's low-intensity conflict (LIC) strategy against the Left or an indication of sagging military morale, turning a kitchen into a latrine is the worst manners in the eyes of rural villagers in south Quezon - or anywhere else, for that matter.

This is among the list of complaints raised by peasants against the Philippine Army (PA) during a

fact-finding mission organized by Task Force Detainees (TFD) last June 1-2 in Gumaca, Quezon (130 kms. south of Manila).

The impression made by the military on the rural population, as PNF gathered from eyewitness reports and taped interviews, is that soldiers not only lack toilet training but also have an atrocious attitude towards non-combatants.

Abuses accompanying counter-insurgency opera-

The TFD mission to Gumaca noted the formation of right-wing vigilante groups patterned after the Alsa Masa of Davao city. One pilot area for the organization of Alsa Masa-type units is Atimonan, a fishing and mining town on the shores of Lamon Bay.

In Calauag town, an anti-Communist group calling itself KABISIG was identified to be the source of military grassroots spies. And in Lopez town, the dreaded Solo Brothers (a Civilian Home Defense

tions in the hinterland are frequent, according to evidence gathered by TFD and Quezon-based Concerned Citizens for Justice and Peace (CCJP).

The mode of abuse ranges from crude intimidation to over-kill. The mauling of persons suspected of sympathizing with the New People's Army (NPA) guerillas is allegedly standard procedure for extracting information during pursuit operations in remote villages.

[10 Jun 87 p 3] Conclusion]

[Text]

And in Lopez town, the dreaded Solo Brothers (a Civilian Home Defense Force unit) now goes about by its new name of Citizens Army.

Residents reported to the fact-finding team that recruitment into government paramilitary forces had proceeded at an accelerated pace in the past six months. Despite government claims that recruitment is voluntary, villagers said paramilitary unit organizers were using coercive measures to bolster their ranks.

A CCJP spokesperson

also told TFD workers that since May 19 at least 10 cases of mauling and intimidation committed by soldiers were reported to them in the towns of Gumaca, Atimonan and Plaridel.

The latest major incident of human rights violation happened in a remote village of Gumaca town last month. A search and destroy operation had been mounted there involving 120 soldiers and four helicopter gunships last May 19. The operation resulted in the deaths of two men, injuries to villagers,

and loss of property and farm produce due to arson, looting and outright destruction by Army troops, it was alleged.

It was learned by the TFD fact-finding team that another unit, the 42nd Infantry Battalion led by one Capt. Ramos, also took part in the strafing and grenade bombing of a wooded area of the village, causing scores of terrified householders to flee Cauayan and neighboring villages for the town proper.

Cauayan village covers hilly terrain sheltered by coconut palms and criss-

crossed by small brooks. To reach the area, the fact-finding mission had to take a 45-minute ride over bumpy roads to Biga village which was the start of a three-hour hike to the village of at least 100 households.

On May 19 the morning air was disturbed by the sound of helicopter rotors which signalled a ten-hour rampage by Army troops. From 7 a.m. till 5 in the afternoon, around 120 soldiers entered the village from the air and by land from Pitogo town to

the south.

Marieta Escalano, wife of a mauling victim, recounted how one soldier threatened to kill her husband Aniano because he was suspected of being an NPA guerilla. Marieta pleaded with the soldiers not to kill her husband Aniano who was led away with his hands tied behind him.

Marieta challenged them to present evidence that her husband was with the underground. At that time she saw three men with their hands tied behind their backs whom the soldiers had apparently beaten up. The soldiers told her the three admitted they were NPA guerillas and pointed to Aniano as being one of them.

Marieta said she saw

the soldiers lean rifles on the three men and photograph them. The soldiers also ransacked their house and threw out all their belongings.

Juanito Ordanza, a member of the militant Partido ng Bayan (PnB) in their village, was hardest hit by looting. Soldiers took away P2,330.00 worth of farm produce and personal property. He also complained that soldiers defecated in his kitchen. His wife Melly said soldiers also cut down their banana and corn plants, and not contented with their destruction, scattered her cooking pots in the field.

Residents charged soldiers of stealing their chickens, clothes and cash during the operation.

Others were forced to draw water and gather papayas and coconuts for the troops. A farmer, Edmundo Escalano, Jr. identified one Capt. Laudiangco as the officer who beat him and his companions during interrogation that day. Escalano complained he was still sore all over from the treatment he got from the soldiers.

That afternoon, four helicopters strafed a forested part of Cauayan for three hours before flying off at 5 p.m. When the firing ceased, villagers found the bodies of two men identified by TFD as Policarpio Maulawin, 17, of Lopez and Alejandro Laguna, 32, of Calauag.

The bodies were discovered 10 meters from the burned hut of Encarnacion Bravo, bound by

the wrists and bullet-riddled. The bodies were charred beyond recognition.

The bodies were left in the open for crows and stray dogs to pick at because no one dared come near the area. (Village leader Laudio Angulo, 66, was given P400 by the military to recover the bodies but no one would accompany him.) Later some residents took the initiative of burying the bodies because the stench had become too much to bear.

Cauayan village is still trying to recover from its ordeal. But villagers cannot afford to forget even as Army troops begin to conduct civic action missions there this week. The dirty war in south Quezon still rages.

/9274

CSO: 4200/668

SALAS, ILETO INTERVIEWED ON INSURGENCY, POLITICS

Quezon City WE FORUM in English 8, 9, 10 Jun 87

["Portions" of interview with Rafael Iletto, secretary of national defense, and Rodolfo Salas, alleged CCP chairman. Three part series by Ninotchka Rosca: "2 Views on Guerrilla War"]

[Part I, 8 Jun 87 pp 1, 8]

[Text]

(*Philippine News and Features* New York correspondent Ninotchka Rosca, who was in the Philippines recently, spent two hours interviewing the Aquino government's Secretary of National Defense, General Rafael Iletto, and four hours interviewing alleged Commander-in-Chief of the New People's Army (NPA) and Chairman of the Communist Party of the Philippines (CPP) Rodolfo Salas. The "talks" were unique each in its own way. Secretary Iletto confessed that "no one has ever interviewed me this way." Salas, for his part, had been largely silent before Ms. Rosca visited him in his cell at Camp Crame. Portions of the interviews, edited for brevity, follow.)

"THE OBJECTIVE CONDITIONS ARE FINE"  
-- Salas

**Ninotchka Rosca (NR):** How do you feel about some people's assessment of you as cold-blooded?

**Rodolfo Salas (RS):** Perhaps they refer to my being a meticulous planner and disciplinarian. I always stick to facts and insist on strict and impartial implementation of discipline.

Before martial law, there were high expectations that the people would rise up at once to protest any such move on the part of government. Martial law -- and the general response to it -- had a sobering effect on the revolutionary movement.

When the movement suffered setbacks in the years immediately following the declaration of martial law, many were demoralized. We carefully analyzed the situation and the prospects of the anti-dictatorship struggle, and assessed both positive and negative factors. Plans for the gradual development of the movement were drawn up, based on the actual capability and limitations of its forces, and on the latent broad sentiment of the people against the US-Marcos dictatorship. The revolutionary movement and the anti-dictatorship struggle advanced in great strides since 1977.

In recent years, especially the past year and a half, the Left has been afflicted with illusions, dis-

orientation and vacillations. A break down in discipline occurred in certain areas of the country. Many actually believed the Cory government to be liberal-democratic and progressing towards a pluralist democracy. Still others dreamed of an "EDSA II," an urban insurrection similar to the Russian October Revolution.

What the Left needs now is a "cold-blooded" assessment of the situation so it can formulate a coherent and realistic program of action.

**NR:** How long have you been here?

**RS:** Eight months. I spent the first four days in an office somewhere in this building. The military publicized this as my "air-conditioned room." No word about my non-stop interrogation by relay shifts from different intelligence agencies. Nor of the heavy leg irons and handcuffs I had to wear by the third day, when I had not recovered from two major surgeries. No sleep -- only naps for an hour or two between the teams. I complained once about the fumes in this cell and an officer sneered back that "perhaps you want air-conditioning."

**NR:** How come agitation for your release is not as intense as had been for other political prisoners? Does the Left consider you an embarrassment?

**RS:** Hundreds attend my court hearings -- relatives, friends and members of cause-oriented groups in Central Luzon. Agitation for my release may not be as strong as one would wish it to be, partly because the Left has been baited into focusing its attention on such matters as negotiations and elections. Even urgent campaigns like the anti-nuke and anti-International Monetary Fund campaigns, the dismantling of the CHDFs and private armies, the movement of workers and peasants, are becoming of secondary importance.

I heard that Manila-based organizations are being discouraged from helping me and my co-accused. Despite this, individual leaders and members of progressive organizations are helping us in many, many ways.

[Text]

NR: How do you see the current political situation?

RS: If objective conditions are examined thoroughly, one could say they are fine. Never has the Cory government been so clearly anti-people and pro-rich, pro-capitalist. The old oligarchy has gotten its wealth back; there's a scramble for sequestered crony property. The IMF has imposed even more onerous conditions on this country. The workers and peasants have been given nothing, no concessions at all. The only sectors which gained a few benefits were the soldiers and teachers who, of course, count the ballot. There are many factors which make the situation favorable. Even the military is split.

NR: How come social conflicts do not appear to be as sharp?

RS: Only at the top. Contradictions within the ruling class have become less antagonistic. But the key to the entire question is the Left. If it were consolidated, then it could use whatever the situation is to advance the people's interests. But if it itself were fractionalized by government moves, if it cannot reach a clear understanding of, and consensus on the political situation, then it cannot seize the initiative. This was clear in two instances. At the ConCom, when the nationalist bloc walked out, it was encouraged to return. The bloc disintegrated. Second, during the plebiscite, the Left carried two conflicting positions: active critical yes and passive no.

NR: How do you see the situation militarily?

RS: The AFP does not have the capability to crush the people's forces. This is based on an assessment of the strength of the New People's Army — meaning personnel, armaments, combat skill, territory and base. The NPA is indeed strong. It has the capability to expand geometrically. Add to this the fact that the Moro National Liberation Front has regained its strength.

But we have to consider the political aspect. Certain government moves could encourage reformism within the ranks of the national democratic movement. Certainly, that will affect the movement's political will. If that happens, the political will of the NPA — the will to struggle — could be affected.

NR: Won't the hundred or so helicopters from the US affect the military picture?

RS: There are three ways by which the military seeks to contain a guerilla war: rapid deployment of forces, shifting troop concentration and base denial of hamletting. In all three, the decisive factor remains the political will of the masses. If the masses are organized, they can provide cover, information and supplies, as well as stash the guerillas' arms, clothes and food. Even if the AFP were highly mobile, if they can't pinpoint the whereabouts of the guerillas, their helicopters will be chasing their own tails.

NR: Won't the vigilantes count?

RS: Only if the NPA approaches the problem from a purely military standpoint. The vigilantes are no different from the BSDUs (Barrio Self-Defense Unit — the former name of the CHDF) and CHDFs (Civilian Home Defense Forces). While it is true that the military supervises the vigilantes, it is also true that many come from the peasantry and were forced to join. As was the case with the BSDUs and CHDFs, selective assaults on notorious units and individuals will have to be accompanied by intense political work at the barrio level. The NPA will have to exercise strict discipline and self-restraint; no abuses, and immediate rectification of errors, especially where the masses are involved. This is painstaking work but it was done before and paid off in the end.

The only effective counter-measure to any military tactic, old or new or old masquerading as new, are strong political organizations of the masses.

NR: It seems that while there are ready solutions to problems in the countryside, the urban struggle is more problematic.

RS: The impact of the struggle in the countryside on the urban struggle should not be under-estimated. However, there are peculiarities to the development of the urban struggle. In the beginning, the urban-based wing of the movement followed the principle laid down by Amado Guerrero — i.e., organize the basic masses. The middle forces are supposed to be linked with the mass movements. In 1984, the focus shifted. Alliance with other classes became a priority. The stress on organizing the basic masses was lost. Bourgeois reformism crept in, along with a kind of bureaucrat-employee mentality.

NR: Would you say that a return to organizing the basic masses is called for?

RS: Definitely. Especially now that the government is so biased against them, when close contradictions are sharpening all over the archipelago. Look at Negros. The landlords want their lands back!

NR: What do you think of the NDF (National Democratic Front — the coalition of underground Left forces) statement that it would seek outside help if the war is escalated by means of increased US aid?

RS: The point being made is that the NDF reserves the right to do so, under such circumstances. I would personally prefer to stress the Filipino people's capability to deal with such eventualities.

NR: What do you think of the idea that the Philippines is already pro-capitalist?

RS: We are a semi-feudal and semi-colonial nation.

NR: Are you optimistic about the situation?

RS: Yes. As long as there are shouts of welga (strike); as long as guns are firing. (To be continued)



[Text]

**Ninotchka Rosca (NR):** How do you see the insurgency situation at this stage?

**Rafael Ileto (RI):** I don't think (the Left) are happy at all with the results of the recent elections. They're complaining about the process which was an indication that people aren't as sympathetic to them as they have claimed. The people gave them a rebuff in the last elections.

**NR:** Are elections an accurate assessment of the Left's strength?

**RI:** It's the only way so far to gauge their mass support. Votes are a little accurate than our own surveys. I'm sure our people are looking over (the voting pattern). It is a good indicator of their base support, mass support.

**NR:** What will you do next?

**RI:** We're still following the overall plan of conducting operations and applying force wherever it is needed. At the same time, other sectors of government are intensifying development to alleviate conditions in the countryside. We should be able to partly resolve the insurgency problem. I'm not sure how it can be done, within what period of time. But if we can reverse the trend this year -- Right now, (the NPA) is still growing though the rate of growth has diminished. If we could keep this down until growth stops completely and then reverse it -- maybe, we'll be on the way to a total solution of the problem.

**NR:** What differences do you see between the old and new movement?

**RI:** I'd give the new credit for being a little more sophisticated.

**NR:** In terms of --?

**RI:** Concepts and approaches. The old did not play the different factors well enough. They got stuck with the Maoist concept of force, of capturing the countryside through the use of force and intimidation. We were able to counter that easily. The old didn't concentrate on students, labor and other sectors. I won't mention the sector to which you belong: the authors, writers, journalists... This time, the insurgency knows the game a little better and they attack all sectors to convince them to join. I give them credit for that.

**NR:** Have you met the leaders?

**RI:** Taruc (Luis Taruc, a 1950s peasant leader). I associated with him socially. Not (Jesus) Lava (former Chairman of the old Communist Party), Dante (former New People's Army Chief Bernabe Buscayno). I don't think (Taruc and Buscayno) are die-hards. Maybe, I'm being naive. But I worry more about (Jose Ma.) Sison (alleged founding Chairman of the re-established (1968) Communist Party of the Philippines) and his type. I wouldn't mind hanging around with Dante but I'd have to keep

Sison at arm's length. I wouldn't know what he'd do next or what he's thinking of --

**NR:** I (was arrested during martial law and) spent six months in (Constabulary Camp) Crame where during interrogations, I was shocked to find out I had founded everything. Are you instituting safeguards against a repetition of these things?

**RI:** Maybe we're over-confident in this area. If we let the military go, they will let all hell loose. If you let them loose, they will really go. This is our ace. This is the attitude of a good portion of the military which feels they're being held back. They are confident that if the political leadership ever decides to let them go, they can do it.

**NR:** What? Wipe out the insurgency?

**RI:** Yes. Of course, that's how they feel. Whether they can or not, it's another matter altogether. This was why during Enrile's time, we had difficulty holding (the military) back. Mr. Enrile was also go, go, go. Let's fight even if it's against our national policy.

**NR:** Did Mrs. Aquino request for a hundred helicopters or a hundred helicopter gunships?

**RI:** Helicopters. She probably didn't know the difference. The truth is that that number did not come from the military. (It came from Teodoro) "Teddy Boy" Locsin (a presidential adviser), et. al. They're the ones who're go, go, go. I explained we didn't need that many. We have a small country. (Ten helicopters per region) would not only be expensive in the initial cost but also in maintenance. What do you do with them? You have to train so many pilots, pay so many pilots, whether you're using them or not. Five helicopters in a small operation is more than enough. The enemy does not have a means to counter helicopters as of now.

**NR:** There were helicopters during Marcos' time. They didn't seem to have made any difference.

**RI:** Yes, they did. Instead of using paratroops -- those men wearing suedes and jumping for the fiestas -- (we used helicopters).

**NR:** Aren't you worried the helicopters will change the nature of the war?

**RI:** No. I've seen this in Thailand. The Thai Armed Forces are way ahead of us. Modern -- with two armored divisions. Full armor. And they have -- oh, I don't know how many helicopters. In fact, they say they don't have counter-insurgency operations. It's a communist war, a war against communists. And when they say they'll hit a place, the civilians have to get out. They ask the civilians to get out. If civilians get hurt, (then the Thai armed forces ask) why did they stay? That's how they reason. So they were able to solve the problem.

**NR:** I think there's a guerilla resurgence in that country's northeast section. But what about the National Democratic Front's warning that it reserves the right to ask for outside help if the military chooses to escalate the technological level of the war?

**NR:** If they could, they would have done so, with or without escalation.

NR: I understand you have only 70,000 effective combatants.

RI: That's all we can afford. That's why we have the Civilian Home Defense Forces (CHDF) and we're encouraging the civilian volunteer groups. We're a small armed forces compared to those of other countries. But if (the insurgency) thinks it can challenge the military — the Constitution is very specific. We can enlist; we can call to active duty the reserves; and force our young people to join the military. (The NPA) does not have that capability. But right now, even with a kill ratio of five on our side, one on theirs, we can still beat them.

NR: How does the model of a modern, professional military like Thailand's jibe with the proliferation of civilian armed groups?

RI: When we talk of civilian volunteers, we mean Alsa Masa, etc. When we talk of paramilitary forces, we mean the CHDF. These are two different things. (The first is not part of the military so we're not accountable for them. Lt. Col. Franco Calida (Commander of Constabulary forces in Davao city, Southern Philippines) is not leading the Alsa Masa. He's indirectly cooperating. He is not in control. If an Alsa Masa kills a man, Calida cannot be tried for command responsibility. They're not integrated with the military; they're ordinary citizens. If they kill, then the police should file a case against them in the civilian court.

NR: Are you aware that death threats have been made by such groups against media people?

RI: Are you aware of death threats by the NPA against us officers, municipal officials — not only threatened but liquidated by Sparrows? Anybody can sign (a death threat). Any criminal can sign it. In fact, all these extortion cases supposedly by the NPA — we know they're not by the NPA but by criminals taking advantage of the situation. Similarly, death threats from the military or the Alsa Masa should not be taken as is.

NR: Groups like the Counter-Insurgency Command publicly claim links with (Ret. U.S. General) John Sing-

laub as well as with other foreign-financed groups.

RI: You'll have to prove that. Even if you do, it doesn't matter. One thing is that these groups do not try to overthrow the government. Sedition is when your intention is to overthrow this government, the sovereignty of this government. Singlaub's group or the Central Intelligence Agency are not here to overthrow the government.

NR: The CIA does work to overthrow a government when it is convenient for them.

RI: Only personalities in government. They don't overthrow the system of government. Anyway, it's a process. The people starting this government will have to go someday. But the government and the system stay.

NR: Wasn't the formation of vigilante groups spurred by a paralysis in the military because of internal dissension?

RI: Was it? If there were a paralysis of command, the *coups d'etat* would have won already. The Armed Forces are solid. These (others) are only small groups —

NR: Do you see this fractiousness of the military being resolved?

RI: It's waning. We Filipinos have a short memory. After a while, it will subside.

Our effort is to discourage them psychologically, to convince them that (a coup) is not the proper way. (We need to) strengthen discipline in the military. Marcos destroyed this military to a point almost beyond recovery. They're so politicized. Writing memos, petitions. . . Where did you ever see such a thing? We have taken easy steps instead of drastic ones like arresting them and putting them in the stockade or on a ship and letting them float in the ocean. In other countries, such measures are used. But since our national policy is to unite and reconcile — so. But sometimes, it becomes too much.

NR: How come the fighting capability of the AFP does not look too good?

RI: In the field? You mean the body count is not too impressive? That's true. Maybe it needs more training. (PNF)

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CISO: 4200/668

## TABLOID REPORTS PANGASINAN MILITARY DRIVES, EVACUATIONS

Quezon City WE FORUM in English 5-7 Jun 87 p 3

[Text]

**DAGUPAN CITY** — More villages in western Pangasinan are turning into virtual "ghost villages" as evacuations due to "military saturation drives" and "mass-base-denial operations" against the Communist-led New People's Army (NPA) continue.

Local human rights groups led by the Human Rights Organization of Pangasinan (HROP) reported late last month that some 50 families, mostly from barangay Viga, Dasol town, fled their homes and farms after RSAC (Regional Special Action Company) operations. RSAC is a special regional elite force assigned to western Pangasinan last March to reinforce the 154th Philippine Constabulary company stationed in Alaminos town, according to HROP.

The Coalition Against Militarization and Poverty (CAMP) also noted Wednesday a more recent batch of evacuees from barangay Bantog, San Quintin town, also in Western Pangasinan, after seven houses were burned there during a recent military operation.

CAMP is a new local multi-sectoral group which aims to solicit legal, medical, and other forms of support for evacuees.

In a recent fact-finding mission report, HROP reported that villagers from some villages in the towns of Dasol, Burgos, San Quintin and Mangatarem were forced to leave their homes and farms because of fear over the recent rash of killings, disappearances, illegal search and seizures, arbitrary arrests and detention of ordinary farmers believed to be supporting the New People's Army, armed component of the Communist Party of the Philippines.

The report gave the following list of victims of salvaging and killings starting late March: Percival Balleca and Nick Nival, both salt farm workers of Dasol; Larry Colorado; Ben Cuaresma, Artemio Amigable, Lito Tarektekan, all farmers from Burgos; Sengdong Narangka, another farmer from Bohol, and Engineer Renato Reyes, an active member of the local chapter of the militant Ba-

gong Alyansang Makabayan (BAYAN).

An eyewitness in a recent encounter in Barangay Buenlag, Mangatarem town also disclaimed newspaper reports that one Jun Artates was among "slain NPA rebels." Artates was an ordinary tricycle driver plying the Buenlag-Mangatarem poblacion route, he said.

The eyewitness, who requested anonymity, said two passengers, a man and a woman alleged to have been NPA members, took the tricycle of Artates in the afternoon of May 23. The tricycle was later stopped by armed men in a white car. The male passenger reportedly ran for his life but was fatally shot while his woman companion raised her arms in surrender. Artates and the woman were however also shot by the car-riding armed men, allegedly led by one Boy Vidal, described as a self-styled vigilante and a local businessman.

Meanwhile, Pangasinan governor-designate Rafael Colet visited Dasol town recently and urged the

evacuees to return to their home village. He promised to take the necessary action on reported military atrocities and that a new military detachment would be detailed in Dasol for the people's protection.

Earlier, in a dialogue at Urduja House, the seat of the Pangasinan provincial government leadership, 11 families from Dasol petitioned for the pullout of military troops from their villages, including the disbandment of Bandidong Pangkat, an Alsa Masa type vigilante group which the villagers also feared. Colet was not present during the dialogue but was presented by the assistant provincial administrator.

Major Angelito Gerangco, assistant provincial commander for civil military operations, said the provincial military command had no authority to pull out its troops in west Pangasinan because of the "prevailing CPP-NPA threat." What he assured was an investigation of the alleged atrocities and some aid to the victims. (PNF)

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CSO: 4200/667

# NPA ENFORCES LAW AGAINST ILLEGAL BICOL TRAWLERS

## NPA Confiscates Trawlers

Quezon City WE FORUM in English 8 Jun 87 pp 1, 2

[Article by Noel Bolivar and Ed Maravilla]

[Text]

**T**he New People's Army confiscated Thursday last week 15 trawl and four "baby trawl" fishing boats illegally operating in San Miguel Bay in Albay in a campaign launched by the rebels to ease tension between the small fishermen and the trawl owners.

The move, unprecedented in the history of insurgency in Bicol, was in response to the petition of the Federation of Small Fishermen of San Miguel Bay (FSFS-MB) clamoring to put an end to the exploitation and wanton destruction of the rich aquatic resources in the bay perpetrated by unscrupulous trawl operators.

The FSFSMB, on the other hand, was compelled to seek the aid of the rebels because it was unfairly deprived of its once bountiful catch; and the negligence of the Bureau of Fisheries and Aquatic Resources (BFAR) and other law enforcement agencies in the govern-

ment in going after the trawlers.

An official of the group who requested anonymity also explained that the fishermen's stand is "but legal and proper" because fisheries administrative order no. 136 calls for a five-year total ban on commercial fishing in San Miguel Bay.

Although the ban expired last March 26, the BFAR extended the effects of the order for another five years, to run until 1992.

The small fishermen also sought the assistance of the local NPA command as mediators in dialogs set to iron out problems besetting the feuding groups of fishers.

In one of such dialogs, rebel spokesman "Ka Bernie" said that the NPA's role as mediator in the conflict stems from the fact that the territory in question is within their area of responsibility.

Meanwhile, reports submitted by the International Center for Living Aquatic Resources Management and the Institute of Fisheries Development and Research said that as a result of the exploitation of the San Miguel Bay profits in fishery as a whole had been reduced and caused even losses for some non-trawl gears; highly uneven distribution of catch and income in favor of the trawlers; and out migration of fishing community neighbors in search of higher income elsewhere.

Furthermore, it was learned that trawl fishing in shallow waters has resulted into scrambling of the seabed destroying the eggs, spoils and fingerlings; and the destruction of planktons which take essential nourishment for the fish that takes at least 100 years to grow an inch.

Quezon City WE FORUM in English 8 Jun 87 p 4

[Editorial: "People Power"]

[Text]

The sustenance fishermen of San Miguel Island in Bicol are dirt poor, but they have long known the value of people power. Forced to fend for themselves for years against the illegal encroachments of trawlers, the hardy folk of San Miguel have never wasted a chance to ventilate their grievances against government neglect of their plight, and have on several occasions launched mass actions, including a historic long march several years ago, in their effort to solve their problems.

Some enlightened members of the clergy in Bicol have supported the fishermen's cause, and it is the priests like them who are often suspected by the military of being communists.

Last week, the fishermen of San Miguel must have decided that the time was ripe to seek the help of the red army, for, after all, the red hunters always suspect those helping them to be communists.

In an unprecedented development in the history of insurgency in the Bicol region, the poor fishermen sought, and got, help from the rebel New People's Army in their fight against trawlers which have destroyed

marine life and harmed their livelihood.

It was a "bloodless" operation, according to reports, as the NPA punished the big-time operators with confiscation of their fishing boats.

The rebels even went so far as to help mediate in a dialog to ease tension in the area, reports said.

From all indications, it was a clear propaganda coup for the NPA, a chance to show that the rebels indeed stand for the people.

The NPA did not clinch this victory on sheer merit alone. It was helped, to a great extent, by the continued neglect by government bureaucrats of their plight, and by law enforcement agencies which should have gone after the trawlers — which are banned in San Miguel Bay — a long time ago.

This case is a classic illustration that the war against insurgency cannot be won by bullets alone. And the communists do not win by sheer force of propaganda alone. Most often, the very same people fighting insurgency are causing it.

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CSO: 4200/667

GUARDS FIRE UPON STRIKING CATHOLIC MEDIA WORKERS

Quezon City WE FORUM in English 8 Jun 87 p 8

[Text]

Employees of Manila's Communication Foundation for Asia, now on their sixth week of strike, claimed over the weekend that they were shot at by security guards employed by management during a strikers' attempt to stop a truck from entering company premises.

CFA management, headed by Fr. Cornelio Lagerwey as moderator and Fr. Filoteo Pellingon, could

not be contacted for comment. PNF efforts to talk to other responsible officials were also rebuffed.

A CFA visitor at the time of the alleged incident said she saw at least 10 security guards, two of whom were positioned on the CFA rooftop and armed with high-powered rifles, shooting in the direction of the workers' picketline at about 4 p.m. of July 5.

"I, myself, could have been shot had I not taken refuge by one of the walls. I saw them clearing the road of vehicles before they started shooting. I even heard one of them who was holding a radio shout 'I told you to wait for my order before you shoot,'" says Virginia de Leon, who had just come out of the CFA compound in Manila's Sta. Mesa district for a visit with the Dutch-born Fr. Lagerwey.

For the past six weeks,

employees of the Communication Foundation for Asia — the Philippines' and one of Asia's largest Catholic communication centers — have been on strike over CFA management's non-recognition of their union, the Concerned CFA Employees' Union (CCFAEU), the allegedly arbitrary reorganization moves of management, and the consequent transfer of personnel to a newly created entity called Anchor Broadcasting Corporation.

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CSO: 4200/667

CAPTURED NPA 'PROPAGANDIST' NAMES GOVERNMENT COLLABORATORS

Quezon City WE FORUM in English 9 Jun 87 p 3

[Text]

CAMP OLIVAS, Pangasinana - The military has alleged that a captured communist propagandist "has named three government officials, a judge and a priest as among those who were actively supporting the New People's Army (NPA) in Nueva Ecija province.

Burt Aves, 23, tagged as a member of the NPA propaganda movement, also said some schools in that province and civic organizations have been infiltrated by the communists.

Aves was captured after he was wounded by Constabulary soldiers in a raid last May 29 while he and six other members of the movement were in a teaching in barangay Campos, Talavera town, Nueva Ecija, according to military reports.

Except for Aves, the others were later released.

Aves was listed by the military as the secretary-general for Central Luzon of the Kabataan Para sa Demokrasya at Nacionalismo (KADENA).

The military withheld the names of those identified by Aves to be giving support to the communists.

In a sworn statement before Nueva Ecija Assistant Fiscal Deogracias Rivera, Aves admitted involvement in the propaganda movement

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PAPER COMMENTS ON ALLEGATIONS OF AQUINO FAMILY CORRUPTION

Quezon City WE FORUM in English 9 Jun 87 pp 4,5

[Commentary by Vic Barranco in the "Town Crier" column: "Kleptocracy Today"]

[Text]

Some members of the clan of President Corazon Cojuangco Aquino are members of the new kleptocracy, "and even if they cannot be bought, they are still determined to defend the interests of the proprietary classes," says one of the leading German political writers, Karl Grobe, in the influential **Frankfurter Rundschau**.

German officials may not openly share the views of Journalist Grobe, a private citizen, but nevertheless he reflects the new thinking of many foreign writers and politicians in Europe, America and Asia on the administration of Cory Aquino.

**Newsweek International** of the US has commented that the woman president of the Philippines is popular, but (puntos suspensivos) popularity is not enough to govern a nation well.

In an article that bristles with uncomplimentary comments

on the Philippine leadership today, (May 14, 1987) Herr Grobe points out:

"What happened on the streets of Manila and most of the provinces (in February, 1986) was a peaceful revolutionary movement that first and foremost expected the People's Power to redistribute the nation's wealth... Yet the only redistribution of wealth so far apparent has been a redistribution within the upper classes."

"The slum dwellers of Tondo, the sugarcane workers of Negros, the farmhands of the 13 regions and 72 provinces did not take to the streets full of hope and jubilation for the sake of the abstract principle of democracy."

"Marcos cronies have in many cases been replaced by members of the Cojuangco clan, led commercially by a brother of Cory's", says the Frankfurt journalist. "The 70 per cent of

Filipinos who live below the statistical poverty line, (or) 35 million people, are as poor as ever."

Grobe goes on: One group of the oligarchy was the winner of the February, 1986, coup, another the loser. The people were left not with power but merely with hope, and they still associate this hope with Cory.

Some left-wingers were not expecting much to come of the elections in any case. They feel an armed uprising will be inevitable once popular illusions about an Aquino policy of major reform have been dispelled.

Others similarly expecting nothing good to come out from Manila (Malacanang) are relentlessly fashioning social counter-structures in the slums and in the countryside.

Grobe stresses: "The Communist Party, hampered by a built-in dogmatism dating back to the pre-Gorbachev era here (in the Philippines) sees recruitment



potential for revolution. Revolution is not just around the corner, but the oligarchy's policies could make it inevitable, and the behavior of the armed forces could promote it."

The German writer warns that "the next round of polarization (of groups and classes in the social, economic, political and military power struggle here) can be expected to occur between the Army and the armed left-wing forces."

"As there is sure to be no land reform and no relief for the hardship of the rural population, no easing of the pressure of the flight from the country to the cities and serious social crisis will not be alleviated in the least, it is sure to be a harsh and relentless struggle," the writer contends. "There is little President Aquino can do to change this even after her glorious victory at the polls. Her hands are bound by the ties of interest between her political organization and the small proprietary elite of landowners, industrialists and representatives of foreign investors."

"Despite her political integrity and goodwill she seems sure to be cast for a role sus-

piciously reminiscent of historic examples such as Alexander Kerenski, the Russian Liberal, or, worse still, Chiang-Kai-shek.

"After what clearly seems to have been a substantial electoral victory, she lacks the equipment with which to sever these bonds."

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It is hard to disagree with foreign press on their observation and conclusion about our government and people. They have better perspectives from their position outside than we have from within our own territory. Are we blindfolded by our own leaders and by the media that they control?

The "equipment" that we lack, which writer Karl Grobe speaks about, is not the financial and material equipment and resources — certainly not, for we have probably an oversupply of these tangible items. What we suffer from is the shortage and insufficiency of moral, intellectual, and cultural leadership, the equipment that is denied us by our so-called leaders, because this is the reign of greed, of selfishness, and self-aggrandizement yet under which we are pinned.

FERRER FIRES MORE OICS ON OPPOSITION TIES, ANOMALIES

Quezon City WE FORUM in English 10 Jun 87 pp 1, 8

[Article by Romeo Roy]

[Text]

Local Governments Secretary Jaime Ferrer yesterday sacked seven more officers-in-charge for various offenses and ordered the investigation of six others for alleged involvement in anomalies in the implementation of community employment development projects.

Ferrer said among those fired were Mayors Sainudin Mudin Ampatuan of Maganoy, Maguindanao; Teofilo Macapil of Linamon, Lanao del Norte; Jeceju Mana-ay of Bindoy, Negros Oriental; Nenito Otero Lugaid of Misamis Oriental and Vicente Diezmo of Capalonga, Camarines Norte.

Also replaced were Mayor Artemio Bravo of Biliran subprovince for allegedly entering into anomalous transactions, and Mayor Eduardo Madrid of Flora, Kalinga-Apayao, who was kidnapped and beheaded by suspected elements of the New People's Army.

Ferrer ordered the immediate investigation of six other OIC's for alleged involvement in CEDP projects. He named Cagayan OIC

Governor Teresa Dupaya and OIC Mayors Perseverando Roa of Lagonoy, Camarines Sur; Bonifacio Tordillo of Matag-ob, Leyte; Guarilito S. Olarte of Don Mariano Marcos, Misamis Occidental; Sagundo of Josefina, Zamboanga del Sur and Kamang Munduc of Nooc, Sulu.

Meanwhile, Ferrer said, he is not yet through with the investigation of OIC's in Bicol who were reportedly consorting with the NPA rebels.

Ferrer also said there are very strong clamor from local officials and private sectors for the immediate replacement of Ilocos Norte OIC Governor Castor Raval, La Union OIC Governor Roberto Dulay and Camarines Sur Gov. Luis Villafuerte.

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CSO: 4200/667

FERRER REMARKS AGAINST BICOL OFFICIALS, MILITARY HIT

Quezon City WE FORUM in English 10 Jun 87 p 4

[Editorial: "Mr Ferrer's Oversight"]

[Text]

Mr. Jaime Ferrer, that colorful secretary for local governments, said quite a mouthful the other day against the civilian executives and military officials of the Bicol region, the people whom he blamed for their laxity in handling the insurgency problem.

Ferrer was frothing in the mouth when he pointed to the "gains" and "inroads" made by the rebels into legitimate spheres of activity and sectoral groups, and even broadly hinted that the New People's Army was partly responsible for the impressive showing of the progressive Alliance for New Politics candidates in the May 11 elections.

Did Mr. Ferrer stop to think for a while that Bicolanos can also think for themselves; can decide whom they want to vote; can discern who will really stand up for their interests? In calling attention to the remarkable showing of ANP candidates in the region, Mr. Ferrer impliedly insulted the intelligence of the Bicolano voter, and, in a sense, was behaving just like the tantrum-prone losers of the right-wing opposition.

One wonders how a pillar of the administration could be so sore at the generosity of the Bicolano voters to the ANP candidates, when the regime keeps crowing about its landslide win. If this administration were really convinced it enjoys overwhelming support from the electorate, then Mr. Ferrer's beefing about the ANP score is, to say the least, an "exaggerated overkill."

As for blaming the OICs and military officers for the rapid rise of insurgency in the area, we invite him to study the case of the San Miguel island fishermen, also in Bicol, who now enjoy the rights guaranteed them by law simply because the rebels were able to stop the illegal operations of trawlers in the bay.

In effect, the rebels are doing what the government authorities have failed to do — either out of sheer laziness or corruption — and whether or not the rebels are simply out for a propaganda coup is beside the point. The point is, they are winning the war because men like Mr. Ferrer refuse to acknowledge the roots of the conflict.

/9274

CSO: 4200/667

GRAFT CHARGES FILED AGAINST MUSLIM AFFAIRS OFFICIAL

Quezon City WE FORUM in English 10 Jun 87 p 8

[Text]

Graft charges were filed yesterday before the Tanodbayan against Muslim Affairs executive director Jamail Dianalan reportedly for illegal disbursement of funds amounting to more than P500 million shortly before the May 11 elections.

In a complaint filed by Mamintal Adiong, former deputy secretary of the Department of Public Works and Highways, Ebra Usman and lawyer Panambulan Mimbisa, both of the Muslim Affairs regional office in Cagayan de Oro City, were also accused of committing fund anomalies and massive vote-buying.

Adiong said the respondent allowed Muslim Affairs officials to receive and disburse substantial

cash advances under highly scandalous circumstances and in gross violation of existing accounting and auditing rules and regulations.

He alleged that 125 pieces of treasury checks amounting to P2,320,348.43 were issued and released on May 5. At least P200,543.41 of this was for personal services and P2,119,805.02 for maintenance and operating expenses.

On May 7, Adiong added, another set of 54 pieces of treasury checks amounting to P292,758.50 was again issued and released for maintenance and operating expenses.

Adiong also claimed that funds amounting to P1,765,548.56 intended

for Muslim rebel returnees were released by Usman and Mimbisa in 28 pieces of treasury checks from April 21, 1987 to May 8, 1987.

He said all the checks were released as campaign fund to close relatives and political leaders of congressional candidate Omar Dianalan, brother of Jamail. He also alleged that several checks are still unaccounted for up to the present.

Adiong further claimed that the respondents made abnormal issuances of checks to Philippine Airlines on May 5 and 7 as airway fares amounting to P85,855 of Muslim Affairs employees and withdrew cash advances amounting to P.5 million.

/9274

CSO: 4200/667

## 'WARLORD POLITICS' IN ILOCOS SUR PROFILED

Manila HR & MS (Special Edition) in English 15-21 May 87 pp 8, 9

[Article by Dante Javier]

[Text]

**H**IGH noon in Vigan reminds you of one of those '60s Pinoy Westerns where the camera pans lazily across the sleepy plaza and settles on a view that includes the baroque church with its massive doors shut tight as if they were two big eyes closed for a siesta. As a calesa clatters across the church facade, you expect Paquito Diaz to swagger down, one of the Callejones into the plaza and break the tranquil atmosphere with random reports from his six-shooters. You hope Fernando Poe Jr. is lurking under one of those door lintels, ready to teach Paquito Diaz a lesson.

It's not a remote image. Vigan, or the whole of Ilocos Sur for that matter, is reputed to be the Wild, West of the Philippines. Anybody you ask, Ilocano or otherwise, will tell you it's dangerous in Ilocos Sur. But not because it's the good guys versus the bad guys, as in FPJ flicks, but

politicians' private armies versus each other. To peasants and small-town folk who get caught in the crossfire of contending groups, they're all bad guys. But to their wards, they're the good guys.

The most notorious of the family feuds, almost legendary in Philippine and Ilocandia politics, is that of the Singsons and the Crisologos. In pre-martial law politics, their rivalry was held up as the prime example of warlordism.

"In the darkest days of Ilocos Sur," Ilocos Sur COMELEC Supervisor Atty. Rodolfo Tabangin recounts, "the violence inflicted by both sides on each other would begin several months before election time." The peak would be reached after the elections as vendettas and counter-vendettas escalate.

After an electoral loss by the Crisologos in Bantay town, an entire barrio, Oro Este, was allegedly burned down by Crisologo goons led

by Vicente "Bingbong" Crisologo. In 1970, as Floro Crisologo, patriarch and then congressman was hearing mass when a lone shot rang out in the Vigan Cathedral and Floro Crisologo's blood spattered all over the priest's vestments. In 1971, Bingbong Crisologo was meted life imprisonment for the Bantay burning, along with several of his cohorts. (He has since become a born again Christian, been amnestied out of prison, and freed to meet the Singsons, who also happen to be his cousins).

That same year, Crisologo arch-rival Luis "Chavit" Singson became governor of Ilocos Sur and that began the political decline of the Crisologos. Singson, although voted into office as a Liberal Party member, didn't find it hard to make political accommodations with the Nacionalista Party affiliated President, Ferdinand Marcos, and when martial law came

in, Singson would be a staunch KBL stalwart.

Ilocos Sur elections were peaceful after that, a peace brought about by the near monopoly of power that the Singsons enjoyed in the entire province, a respite from the anarchy of competition.

Cory Aquino was to change the equation, but not really. When OIC-appointing time came along, the Ilocos Sur capitol and the Vigan municipal hall were turned into virtual fortresses by Singson's minions, defiant of the new appointees. The OIC-mayor designate did not have the guts to challenge the armed might of the Singsons, and the military was showing reluctance to obey orders from Manila. The problem with the governorship was solved only when newspaper publisher Joe Burgos was appointed to the acting governorship. The Singson agreement came with strings attached, the vice-governor appointee being his wife.

But one way or the other, the monopoly of power was crumbling. In this year's congressional race, the Crisologo-Singson rivalry is revived, with Carmeling (Floro's wife) and Chavit contesting the first district seat. Private armies are again on the loose, although less conspicuously than pre-martial law years. "Everybody expects violence to erupt any moment," Monsignor Orlando Quevedo, Archbishop of the Archdiocese of Nueva Segovia (Vigan) ventures. "It could be tonight (the eve of the

elections) or it could be tomorrow or the day after." Reports of followers of both sides clashing, with one dead each, have filtered in. Another report of the burning of the headquarters of another candidate was alleged in the second district.

COMELEC Supervisor Tabangin however, maintains that aside from a spate of illegal posting of propaganda materials like billboards and such, there have been no cases of politically motivated crimes.

NAMFREL volunteer Domingo Rondaris, before election day, confirmed the widespread perception of the people about the possibility of violence, "People are psyching themselves up for the occurrence of violence so that when it happens, they won't be surprised."

Fr. Rabe of the Vigan NAMFREL reports that this tension and fear is reflected in the fact that parents of prospective NAMFREL volunteers were afraid to allow their children to sign up. In Magsingal, a Singson-dominated town, there were approximately 30 NAMFREL volunteers who signed up, but only two appeared for training. In Cabugao, another Singson-claimed town, no volunteers turned up.

Archbishop Quevedo however, is no stranger to violence. Prior to assignment in Ilocos Sur, he was the Bishop in Kidapawan, North Cotabato and Fr. Tullio Favali, whose brain became *pulutan* for the Manero

brothers, was under his jurisdiction.

One reason probably for the low level of violence, despite the common expectations, is that there is a nascent desire for change among Ilocos Sur voters, in consonance with the rest of the nation, who would like to see the demise of warlord politics. There at least eight candidates in the First District of Ilocos Sur. Only the Singsons and the Crisologos are rumored to have private armies. The rest, Salacnib Baterina of the KBL, Manuel Argel Jr. of Lakas ng Bansa, Melchor Ines of the Ilocandia Alliance Party, Melchor Padua of PDP-Laban, Porfirio Rapanut of NP, and Independent Pablo Alcantara don't have their respective armies.

"There is a growing consensus among the intelligentsia here that guys like Baterina and Rapanut should be given a chance to win," Rondaris opines. "People think that the heyday of the Singsons and the Crisologos have passed." This is the reason why perhaps, despite timidity in some towns, NAMFREL has been getting a good number of volunteers. Fr. Rabe estimates that NAMFREL Vigan was able to enlist about 300 volunteers.

The absence of violence so far may have been the result of two peace dialogues conducted at the Bishop's residence. Included in the common agreement was the dismantling of private armies, the briefing

of campaigners to go high-level, and a constant mobile patrol by the military.

Efforts at impartiality have been attempted. "COMELEC supervisors in Regions 1, 2, and 3 Mindanao have been reshuffled," Atty. Tabangin, who used to supervise Baguio and Benguet, continued. "COMELEC personnel here in Ilocos Sur exchanged districts."

Archbishop Quevedo is still wary however. "There's only been an intra-province reshuffle, that isn't much. But the COMELEC says it will entail a lot of expense." Even the archbishop is conscious of the possible suspicion that may be placed on the church's own partisanship. As the church forms the backbone of the NAMFREL, which is widely perceived to be pro-Cory, efforts have been made to dispel these suspicions. Archbishop Quevedo purposely did not release Cardinal Sin's endorsement of the TOSCA (Ten Outstanding Candidates) list of the Church.

The PC/INP remains a big question mark however, as only the provincial commander, Col. Quadra, is new to the scene. The rest of the rank and file have been in Ilocos Sur long enough to grow political roots. "Col. Quadra appears sincere," Archbishop Quevedo opines. "He has issued the necessary instructions for the military's non-partisanship. But that (may be) as far as it goes."

Another reason for the low-level of violence could be that, at least three of the candidates, including the two armed camps, have been separately endorsed by the Cory Administration. Argel was proclaimed by Butz Aquino, Crisologo's hand was raised by Letty Ramos-Shahani, while Singson was endorsed by Ernie Maceda. Keeping the peace could be one way to court the ultimate favour of the new power in Malacanang.

Although reports of intimidation and vote-buying still abound (Chavit Singson is said to have paid barangay

captains, councilmen, and tanods P2000, P500, P350 respectively), the relative absence of violence in Ilocos Sur could only bode well for the future. "While politics is still personality oriented, there no longer are the *ad hominem* arguments and name-calling that tended to lead to violence. Beyond the normal complement of bodyguards, there is no obvious revival of private armies, although rumors of the return of the Saka-Saka of the old days and the threat of retaliation from the Singson group still emerge. There is basis for real hope that the August polls could likewise be as peaceful."

Is this the eye of the storm for Ilocos Sur, or is it the fresh wind of change?

#### POSTSCRIPT

Of the candidates for first district, one notable candidate withdrew his bid: Ex-COMELEC commissioner Victoriano Savellano. He didn't run in protest because he "could not compete with all these shenanigans."

A portent of things to come? M.M

/9274

CSO: 4200/667

## PICTURES OF NPA TRIAL, EXECUTION DRAW CONTROVERSY

Manila NR & NS (Special Edition) in English 1-7 May 87 pp 22-24

[Article by Roland Pascual: "A Book for All Reasons"]

[Text]

*I am a photojournalist, I did my job and recorded a war. If a nuclear war is waged tomorrow I would try and cover that as well. I don't make decisions on who will die.*

**W**ELL, the war record is bloodied by people who do: New People's Army guerrillas. Right smack page 81 of a 104-page, 157-frame collection of photographs of the NPA, three pictures made history by showcasing for the first time, the workings of the NPA judicial system. The caption reads: "The photographs show a group of NPA guerrillas informing a captured informer of his crimes. Evidence in the form of a contractual agreement between the military and the informer was later presented. After the meting out the death penalty, the informer was properly buried by the guerrillas."

The words are a sterile depiction of the chilling photographs. A small man in a striped t-shirt and a ridiculously fashionable felt cap, stands bowed before a row of *maong*-clad "judges" The next frame has the man kneeling before his executioner who is firing a bullet into his head. The man's neck is tensed like a chicken on a chopping block. The last photo has the NPAs walking away from the body of the man in the striped shirt. He is lying face down on the grass. One of the rebels is a woman in a light dress, barefoot, who appears to be studying a sheaf of papers as she clutches a native handbag to her side. Next to the above quoted is an excerpt from the rebel missive *Ang Bayan* which says, "The people take to revolutionary justice in a bankrupt system which denies them justice."

Alex Baluyut shot the series. Alex Baluyut is a

lanky, t-shirted and handsome fellow in jeans and rubber shoes. Alex Baluyut is familiarly "Balot" to beer-guzzling colleagues even as they hold him in awe. The guy carries the look of an intense, young artist; his grammar rarely fails him. He is all of 31, three months of which became his rites of passage to the politics of shooting a war. He labels himself chronicler of images, a photojournalist, but as one reels the story in after an engaging, if can did, war talk, one realizes that the poignancy of his portrayals reveals his deeper sensitivity to his subjects — an emotional bond which is so unlike the detachment of other photojournalists.

After the Aquino Assassination, he flung himself heartlong into the jungles of Agusan, Mindanao, and for four months snapped away at the "activities of NPA guerrillas in the different regions of the Philippines as



they undertake military, political and productive work in the rural areas". His published pictures are all untouched.

Together with colleague Lenny Limjoco, the pictures were documented in glossy pages of a picturesque essay on the *Kasama* (comrade). For the two photojournalists, *kasama*, among other things, "is somebody with whom you share weal and woe in the course of the revolution". The preface writes unabashedly of the "hope the photos will provide the reader with a much better perception of the nature and extent of the rebel movement in the light of ongoing efforts to find a lasting political solution to the armed conflict".

Baluyut's story almost became a non-story. The publisher, International Concerns for Philippine Struggles, rang Baluyut two days before the scheduled book launching and opening of the CCP (read: CCP) exhibit of the original prints April 24. Page 81 should be pulled out. "They (publishers) thought the page needed a revision, specially the text," says Baluyut, "they didn't want to create any more heat — for themselves, the military, the NPAs, even for myself." The decision is "telling", mused a museum official as he paced an empty gallery.

The worse editors can do to a hard-earned story is to jumble a paragraph, or miss out on glaring grammatical errors. The worst a publisher

can do to these two photojournalists' book project is to pull out even a picture at the last minute. For Baluyut, it meant killing the book entirely.

Baluyut claims the publishers were torn between those who wanted to make a go at it and those who adamantly wanted the page pulled out: Baluyut from the start had made it clear that if anyone dared touch the bloody page he'd pull out all his material.

The day before the launching-cum-exhibit, a woman representative of the publisher surprised Baluyut and friends who were then putting up the exhibit. The woman tried to convince Baluyut to stop the affair, the project, "because it might create havoc".

Counters Baluyut: "I was just saying it was time to put out the book." The woman asked for all the prints and Baluyut readily gave her all. Baluyut could only giggle now: "She found out later she didn't know what to do with the pictures." The originals are now back in Baluyut's hands.

And the project's going to push through after all. Days after the supposed launching, publishers personally talked to Baluyut and sealed the deal: page 81 now comes with more details to lend a "comprehensive understanding of rebel justice".

Who are the publishers? Baluyut, when asked, first stirred in his seat, and decided to keep mum over

the matter it indeed he knows them.

Sample the book:

Page 10: *Watch your step walking along the irrigation ditches on the side of the terraces. Last week an old Ifugao drank too much rice wine, fell 50 feet straight down to the next terrace level, broke his back and died.*

Page 18: the photo is of a guerrilla sitting beside an Igorot elder — *If we have to die to preserve and fight to save our ancestral lands, then we die.*

Page 21: *I've learned to like red ants and other sorts of insects that people eat here. Sometimes, during wet weather periods, we turn over rotting logs and gather the white, large maggot-like worms that thrive in them, fry the worms in a skillet and eat them with rice. They're good. They taste like butter. There was a photo of a guerrilla eating just that.*

Page 24: *We're almost at the camp I can hear the music and the laughter. (Bataan, Central Luzon photo of a guitar toting rebel, late 1980).*

Page 25: *Crossing the great highway when we have to march up the mountain can be a problem here in Bataan. Huge trucks and vehicles pass by with great speed. We have to go one by one and run across as fast as we can when the coast is clear.*

Page 26: *Once we encountered an armed unit and we engaged in a three-hour gunbattle before we*

found out there was a miscommunication and we were fighting kasamas.

Page 30: A portrait of an amazon carrying a Commie flag comes with this admission — *When her husband died, a kasama confided in me that she felt like praying to God but she wasn't sure how the kasamas would react, or if she was breaking any rules. I told her to pray, there couldn't be anything wrong with it if she felt it eased the pain.*

Page 37 boasts: *The soldiers fear the sound of my AK47*

Page 47 carries the famed Quezon NPA ambush covered by Baluyut. Baluyut says he was carrying two cameras that day one for colored shots he intended to sell to Sygma, the other for black and whites. As they were retreating, he clicked away with the latter and luckily there was still a frame left. The picture shows two army jeeps swept to the side of the road and dead soldiers sprawled in the middle of an empty highway curve.

Page 48: *Sometimes the kasamas get so engrossed in chess they forget their duties and chores.*

To Limjoco's credit are the rebel situationers

included in the book. All photos with exception of course of the Agusan, Mindanao coverage of Baluyut and a few by Pat Roque, Mike Yabut and Luis Liwanag are Limjoco's.

At the scheduled Kasama ceremonies, cajoling Baluyut as he paced his way to the microphone were his loyal colleagues from local and foreign news agencies:

Agence France Presse's Bobby Coloma cast his vote of confidence by a spiel: *O, mga kasama, may tao sa mike. Kamukha ni Baluyut*.

[*'The Comrades are haunting the Mike. [One] Looks like Baluyut'.]*

It wasn't funny; Baluyut wept through his speech:

"The publishers have requested me to kill the book project, and to forget it existed. Page 81 seems to be the problem, page 81 in history. During the height of the HUK rebellion in Mt. Arayat, the rich landowners of Magalang, Pampanga, my hometown, fled to Manila to avoid a certain situation. It is said by the old timers in that town, that Teodoro Mondegal Baluyut himself an haciendero stood his ground, steadfast, proud

but always honest and fair to sugar workers. He was my father and he was a good man. I record history through my lens and stand up to my work and if the truth is ugly, pardon me.

"Kasama is the product of a dream, a vision which this photojournalist shared (with my colleagues) during the darkest days of the Marcos regime." As Baluyut ended his speech hoping for "reconciliation and peace", he without warning sashayed into the sunset to the disbelief of colleagues who failed to catch his exit until late that beery night.

The book is an NPA story told in their images and their words from their camps. Alex Baluyut, photojournalist, tried to capture life and death and succeeded visually well even as he says he "feels like a freak whenever I am treated as the combat photog". But unlike *Platoon's* Oliver Stone, Baluyut has yet to wake up from the "combat shock". Alex Baluyut insists however, as do his loyal colleagues by his side, he is just a photojournalist and nothing more. It must, at times, be a terribly lonely job for them all. MM

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CSO: 4200/667

## COALITION OPPOSES OIL PRICE HIKE

Quezon City WE FORUM in English 8 Jun 87 pp 1, 2

[Text]

Only the big oil companies stand to gain from the Aquino government's plan to increase the prices of petroleum by-products, such as gasoline, fuel and kerosene.

This was the position of the Coalition Against Oil Price Increase (COPI), a newly-formed alliance of 30 multi-sectoral organizations and cause-oriented groups, in a press conference it held before the weekend at the National Press Club.

A spokesperson of the Citizens' Alliance for Consumers' Protection (CACP), a member-organization of COPI, accused the Aquino government of being "pro-transnational corpora-

tions" and demanded a stop to the pending oil price increases, the scrapping of the Oil Price Stabilization Fund (OPSF), and the reduction of the numerous taxes imposed on petroleum products, among others.

The Aquino government "is duty-bound to protect the welfare of the Filipino people... With a refusal to institute the much-needed changes in the oil industry and to freeze oil prices, its pro-people standpoint irreversibly becomes mere posturing," a COPI position paper stated.

COPI chairman Medardo Roda, also the national president of the Pagkakaisa ng mga Samahan ng Tsuper Na-

tionwide (National Federation of Jeepney Drivers' Associations), said the government's plan to hike oil prices by P0.76 to P1 came on the heels of the decision of the Organization of Petroleum Exporting Countries (OPEC) to jack up oil prices from \$14.90 to \$17.50 per barrel. He also said oil prices could go up to \$18 per barrel this June.

Roda, however, said that the adverse impact of the OPEC oil price increases on the local market could be cushioned by OPSF.

Created by Presidential Decree 1956 in 1984 and reactivated by the Aquino government in May, OPSF is a special fund given to oil companies. It was de-

signed as a buffer to off price fluctuations in the domestic market caused by either a change in world oil prices or in the exchange rate of the peso vis-a-vis the dollar.

The COPI position paper, however, said that OPSF, instead of benefiting the Filipino people, has benefitted transnational oil companies.

"In fact, in August of last year, when the average cost of crude oil imports reached an all-time low of \$8 per barrel, the provision for the OPSF was further raised. This move all the more renders questionable the government decision to charge oil-users for OPSF contributions for a big period of last year when the very rationale for it, fluctuating world oil prices and the peso-dollar rate, had remained relatively stable," the position paper further stated.

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CSO: 4200/667

ECONOMIC SUPPORT FUND PROJECTS STILL UNDER STUDY

Quezon City WE FORUM in English 9 Jun 87 p 3

[Text]

LA TRINIDAD,  
Benguet - Projects to  
be financed by the Eco-  
nomic Support Fund  
(ESF) are still being  
studied, an ESF official  
said.

Justino G. Bernas,  
ESF executive director,  
said guidelines for eva-  
luating the projects are  
still awaiting the signa-  
ture of President  
Aquino.

Bernas made the  
statement in a talk with  
acting Benguet Gov-  
ernor Bantas Buanding,  
who was following up  
ESF-funded projects  
for his province.

ESF is a financial  
assistance given by the  
United States govern-  
ment for use of mili-  
tary bases in the coun-  
try. (PNA)

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CSO: 4200/667

## MANILA BANK CLOSURE 'HIGHLIGHTS' FINANCE INDUSTRY WEAKNESSES

Bangkok THE NATION in English 10 Jun 87 p 28

[Article by Chaltanya Kalbag]

[Text]

**MANILA —** The closure last month of the Manila Banking Corporation, one of the Philippines' nine largest banks, highlights the weaknesses still plaguing the country's financial institutions, bankers and analysts said Monday.

Manila Bank was declared insolvent by the Central Bank of the Philippines and placed under receivership on May 26. The bank, founded in 1961, has 72 branches nationwide.

The Monetary Board, the highest policy-making authority of the country's financial system, said Manila Bank was overdrawn to a total of 6.1 billion pesos (\$298 million) when it was closed.

Central Bank Governor Jose Fernandez told Reuters the closure had not rocked the system. "There have been no significant transfers from one bank to another," he said.

But in a sign of his concern, Fernandez told all 30 commercial banks in a memorandum a day before the closure that under a new policy they were strictly required to maintain reserves against probable losses on bad loans.

A central bank official, speaking on condition of anonymity, said commercial banks' overdrafts with his institution totalled 12.4 billion pesos (\$605 million) at the end of May, a sign that more banks were in potential trouble.

Manuel Morales, president of the Bankers' Association of the Philippines (BAP), said the crisis in the banking system was sparked by the murder of opposition leader Benigno Aquino on his return from exile in the United States in August, 1983. Two months later the country declared a morator-

ium on its foreign debt.

Morales said that in late 1983 and early 1984, commercial banks were hit by a run on peso deposits.

"People began buying dollars and gold and there was a flight of capital. Some banks perceived as not being very liquid began to have problems. Manila Bank was one of them," he said.

A bank president who did not wish to be identified said Manila Bank was suddenly faced by bad investments in several agri-business ventures controlled by Vicente Puyat, the son of the bank's founder, the late Gil Puyat.

Vicente Puyat was removed from the bank's presidency in April this year because he had violated banking laws by not settling outstanding personal debts with other banks.

In an effort to bail out Manila Bank, other banks were asked to lend it money, the banker said. But the Puyats were hit by the then soaring inter-bank loan interest rates, which touched 53 per cent per annum at one time in 1984.

On May 10, 1984, the central bank rejected Manila Bank's call slips, which documented its transaction with other banks, triggering withdrawals by thousands of depositors. Three weeks later the Monetary Board placed the bank under its comptrollership and barred it from extending any new loans.

"Most large depositors pulled out soon after," the banker said. "In any crisis the most jittery money is bank money."

"Family-controlled banks have long ago gone out of fashion," another senior banker said. He said the central bank "should have thrown the book" at Manila Bank much earlier.

He said the bank may have been spared harsher action because in 1984 then president Ferdinand Marcos' son-in-law Gregorio Araneta joined its

board as vice-chairman.

"Perhaps Marcos put pressure on the central bank to defer action," the banker said.

Towards the end of Marcos' rule, however, Vicente Puyat drew close to Benigno Aquino's widow, Corazon. Some bankers said Puyat even helped finance Aquino's campaign in last year's presidential elections, which eventually led to Marcos' flight into exile.

But earlier this year when he was denied a senatorial nomination by Aquino for the May 11 congressional elections, Puyat joined the opposition Grand Alliance for Democracy, becoming its chairman, and unleashed a barrage of criticism of the government's economic policies.

Despite his efforts, and his father's reputation as a critic of Marcos, Vicente Puyat lost in the polls.

The senior banker said political expediency seems to have played a major role in Manila Bank's closure just two weeks after the elections. "If the bank had been closed earlier, Puyat would have emerged a martyr and won handsomely," he said.

Morales said that around the time Manila Bank ran into trouble in early 1984, other banks were hit by reduced loan demand and worldwide slump in commodity prices.

He said commercial banks cast around for new dollar sources and began financing smaller and non-traditional exporters of fish, prawns, handicrafts and garments.

Morales said the BAP presented its own suggestions for a reform of the banking system, calling for greater strictness in implementing controls.

"All of us suffered losses. We have undergone an orgy of write-offs," he added. "But the banks that emerged from the crisis emerged stronger than before." — Reuter

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CSO: 4200/667

## THAILAND

### CONTROVERSY OF ARMY RESPONSE TO BORDER WAR GOES ON

#### Samak Comments, Casualties Noted

Bangkok SIAM RAT SAPDA WICHAN in Thai 24-30 May 87 pp 4, 5

[Unattributed report: "Chong Bok, a Bloody Operation"]

[Excerpts] What some MPs and a number of other people are wondering about with respect to the military's operations along the border is the casualties that the Thai forces have suffered. According to unconfirmed news reports, Thailand has taken many casualties. The reports have also stated that the Vietnamese have displayed greater combat efficiency than have the Thai forces. These losses have been suffered in the operation to drive the Vietnamese out of the area around Chong Bok in Nam Yun District, Unbon Ratchathani Province.

#### Samak Submits Motion

What the MPs have done to lay these doubts to rest is to submit a motion. Mr Samak Sunthonwet, the leader of the Prachakon Thai Party, and some of the members of his party submitted a motion in the House of Representatives asking the administration, particularly the Ministry of Defense, to come explain the matter. But this motion has not yet been placed on the agenda.

#### The motion states:

Recently, many reports have appeared about the military's operations to defend the country's border at Chong Bok in Nam Yun District, Ubon Ratchathani Province. The reports being discussed by the people tend to disagree with each other. The military has not issued a statement to clarify this matter. And as time has passed, the information received by the people and mass media has become more and more confusing and diverged more and more from the statements issued by officials subordinate to the Ministry of Defense.

This confusion and the inability to learn the truth has generated doubts among the people, who are very concerned about the situation in this border area. In addition, there have been reports about the inefficiency of those responsible for things in this area.

I and the others who have signed this motion feel that the people or their representatives should be informed of the facts about this matter. We feel that this must be done quickly in order to preserve order and maintain the confidence of the people and to inform people of the truth so that they will cooperate in maintaining security. Thus, by virtue of the authority of House Regulation No 34 of 1975, I and the other signatories wish to submit this motion to convene a House conference to investigate the facts so that the MPs can then inform the people of those facts that can properly be made public so that they understand what is happening.

If the government feels that the matters to be discussed are things that should not yet be revealed publicly, we have no objection to the government requesting that the questioning take place in executive session.

However, this action was immediately opposed by Gen Chawalit Yongchaiyut, the RTA CINC, and other senior commanders. They felt that the action taken by these MPs was wrong and improper. They wondered why they were being criticized by other Thai.

Gen Chawalit said that the casualty figures have already been disclosed and so he doesn't understand why there are still questions. He said that he never thought that MPs would submit such a motion. They should have requested the government to file a political and legal protest against Vietnam. "The reason why there have been many casualties is that we are fighting with live ammunition, not words."

#### The D-Day 9 Operation

Chong Bok in Nam Yun District, Ubon Ratchathani Province, is located in the Thai-Lao-Cambodia tri-border area. There are many hills in this border area. Vietnamese forces have seized these hills and are using them as positions from which to fire on Thai troops. This is why we have suffered losses. The question is, Thailand knew that Vietnamese forces seized control of these hills a long time ago and built strong bases and so why wasn't action taken to expel them? Because the Vietnamese have been given a chance to build strong bases, they now have the advantage in the fighting. Thus, Thailand has suffered casualties, even if they are not as great as the rumors say.

The defense of Chong Bok is the responsibility of the Suranari Force, which is directly subordinate to the 2d Army Region. The commander of the Suranari Force is Maj Gen Banthao Yaiketu. The codename of the operation to expel the Vietnamese is the "D-Day 9 Operation." This operation got underway in December 1986.

Col Phoemsak Phuangsarot, the chief of staff of the Suranari Force, said that Thai forces succeeded in gaining control of the area on 18 April 1987. We have retaken Hill 382. As for hills 408 and 500, because Vietnam has designated those areas as firing zones for support artillery set up across the border, whenever Thai try to seize control of these areas, they draw fire from the enemy. This is why we have suffered casualties.



"In order to conserve our forces, we are controlling hills 408 and 500 by firepower from support artillery. We are monitoring the area to prevent the enemy from reentering the area," said Col Phoemsak. He confirmed that there is nothing to worry about. He said that the reports that we have suffered huge numbers of casualties and made terrible mistakes are untrue. We have changed our tactics. Since this operation got underway in December 1986, fewer than 100 of our men have been killed and fewer than 500 have been wounded.

Col Phoemsak said that when we drive the enemy from one position, they simply move to another position. Thus, we can't expel them in just a day or two. It's impossible to say how long this will take. But we have to continue this operation no matter how long it takes and no matter how many casualties we suffer.

#### Big Chiu Analyzes the Losses

Official figures provided by the 2d Army Region show that 45 Thai soldiers have been killed. Of these, 3 were officers, 10 were NCOs, and 32 were privates. Since 1 April 1987, Gen Chawalit has given 2.7 million baht in life insurance to the families of the dead. The army has a life insurance program with the Thai Life Insurance Company.

Gen Chawalit admitted that during the past 2-3 months, the casualty figure has reached 40 percent for the following reasons: 1. Vietnam entered this area a long time ago and set up fortified positions to repel our attacks. 2. Vietnam can mobilize great firepower from support artillery set up across the border. 3. In this operation, it is Vietnam that holds the high ground. However, we have suffered fewer casualties than the enemy.

What military leaders do admit is that we are at a disadvantage in terms of the terrain. The Vietnamese forces have seized control of several important hills and set up fortified positions. Thus, the Vietnamese forces have the advantage on the battlefield. There have been reports that Vietnamese troops have tricked many Thai soldiers into coming up the hills and then fired at them.

For this reason, rumors harmful to the morale of those in the rear have appeared. These rumors state that a large number of Thai soldiers have been wounded or killed. In Ubon Ratchathani City, there are rumors that there is no more muslin at the markets because the stock on hand has all been purchased to wrap up the bodies of the soldiers killed in action.

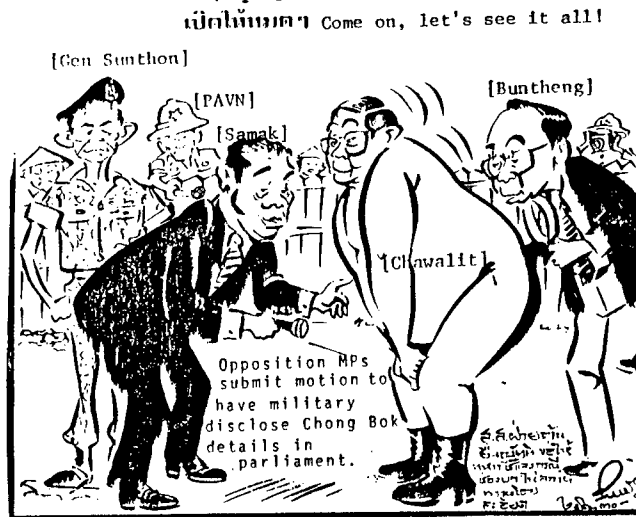
Because there is such great confusion, if the leaders or people responsible would just explain things, they could probably clear up the confusion concerning both the political and military problems. MPs have the legal right to raise questions.

# Cartoon Lampoons Chawalit on fighting

Bangkok THAI RAT in Thai 2 Jun 87 p 3

ม๊อโถมมมม Come on, let's see it all!

[Cartoon]



More Army Excuses on Tactics

Bangkok SIAM RAT in Thai 2 Jun 87 pp 1, 14

[Unattributed report: "Big Chiu Discusses Chong Bok Situation, Does Not Fear Criticism"]

[Excerpts] On 1 April at parliament, in his capacity as chairman of the Military Affairs Subcommittee, Lt Gen Chalom Wisamon, a Ratsadon Party MP from Rayong Province, told reporters that as the head of the Military Affairs Subcommittee, he had led a group of 14 MPs to visit and raise the morale of troops participating in operations along the border at Chong Bok in Nam Yun District, Ubon Ratchathani Province. They went on 18 May. Chong Bok is definitely Thai territory. However, the terrain makes inspections difficult.

Lt Gen Chalom said that the 2d Army Region discovered that Vietnamese forces had crossed the border into Thai territory at Chong Bok in 1986. Thus, the 2d Army Region made preparations to expel them. It took a fairly long time to ready materials and men. This is because the terrain is so difficult. Also, the Vietnamese have committed a large number of ground forces and so military forces have been attacking them constantly.

The MP from Rayong said that on 14 April, before the members of the subcommittee left on their inspection trip, the Vietnamese built bunkers to protect their positions and laid mines. This made it difficult for the Thai forces to carry on operations. It took them many days to expel the Vietnamese forces from the area. The Military Affairs Subcommittee is proud of the fact that our soldiers have carried out their duties bravely and succeeded in expelling the Vietnamese. They have helped maintain our sovereignty.

Lt Gen Chalom said that at present, we are watching and waiting. As for casualties, 45 Thai soldiers have been killed, 40 have been seriously wounded,

and a number have suffered minor wounds. We don't know how many casualties the Vietnamese have suffered. But it is known that they have had to reinforce three battalions. This indicates that the Vietnamese have suffered heavy casualties in this fighting. The fighting at Chong Bok will continue, because the Vietnamese have not ended their operation.

The fighting in the D-9 Operation is now very savage. The 2d Army Region is using bungalow torpedos, a type of weapon that has been tested and put into use on this front. Thai forces continue to advance on the enemy positions.

The "bungalow torpedo" is a weapon that was developed abroad. The prototype was very expensive and so the 2d Army Region made modifications and produced this weapon itself using domestic materials. This torpedo was tested, and Lt Gen Isaraphong Nunphakdi, the 2d Army Region commander, and his staff and operations officers praised its efficiency. The 2d Army Region commander and other senior officers were very pleased and so it was authorized for use in the fighting at Chong Bok.

Two weeks ago, the units fighting at Chong Bok used this torpedo to destroy obstacles and clear mine fields. The Vietnamese had laid more than 100,000 mines. As has been reported, our forces have destroyed approximately 80 percent of these mines.

Soldiers who have fought at Chong Bok have said that this torpedo has helped Thai forces score great victories in attacking the enemy's positions in the hills. Besides helping to reduce the losses of the units that have to move through the mine fields, this torpedo has torn holes in the enemy's front and helped us expel many Vietnamese troops from the area.

Besides this, this torpedo is an important weapon used in ambushing Vietnamese reconnaissance units. Vietnam cannot send out reconnaissance patrols or gather intelligence like before.

At present, the 2d Army Region is trying to step up the production of this torpedo in order to keep up with the needs of the combat units. The goal is to restore peace to Chong Bok and enable the people to live and work in this area as usual.

At 1600 hours on 1 June at the Army Auditorium, Gen Chawalit Yongchaiyut, the RTA CINC, issued a statement on the progress made in expelling the Vietnamese troops from the Chong Bok area. He said that the Suranari Force has now retaken Hill 500. Our forces are now conducting mopping up operations in order to secure the area.

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GENERAL SUNTHON SUBVERTED MPs FOR PREM, COMMENTS ON CROWN PRINCE

Bangkok LAK THAI in Thai 21 May 87 pp 16-18

[Unattributed report: "Big George Views Soldiers and Politics; Soldiers Are Pro-Government, Not Pro-Opposition"]

[Excerpt] Gen Sunthon Khongsomphong, "Big George", the assistant RTA CINC, is being watched closely by the opposition. He is an important target whom the opposition wants to smash. In particular, it is said that Big George played a leading role in ruining the plan to hold a no-confidence debate on the government on 22 April. The plan failed because MPs who had supported the motion to hold a debate withdrew their names, leaving only 69 MPs in favor of the motion, which was short of the number required. This is why he has come under sharp attack. For the first time, he agreed to speak publicly about politics and the military. Gen Sunthon said that he has wanted to speak out for a long time, but because of the political turmoil at that time, he did not want to say anything. That would have raised the temperature. But now that things have quieted down, in order to foster understanding, he would like to explain how soldiers view politics and how politicians probably view soldiers. It not true that the two view each other negatively or that politicians view soldiers as the ones responsible for creating the problems, as enemies, or as the ones who have destroyed the political environment.

To Whom Does the Military Belong?

Gen Sunthon told LAK THAI that one matter that must be clarified is the question of to whom the military belongs. Obviously, the military belongs to the nation and the people. The military's duty is to defend and maintain the sovereignty of the nation. The constitution states that the military's duty is to maintain security. National security appears in many forms, including the security of the legal government, which is one of the important bulwarks in the country's security and which is connected to the economic and social fronts.

"The government is the king's government. It is headed by a prime minister. It was established in a democratic way in accord with the provisions of the constitution. The present government is not the result of a coup or some undemocratic process. It is a legal government," said Big George.

"This government is the legal government, and the prime minister came to office through political activities. Things have been done in accord with the constitutional process and approved by the majority of the MPs. In view of this, soldiers must obey. They must respect the views of the king's government. As far as the military is concerned, it is the prime minister who is the commander-in-chief. The prime minister has the authority to give orders to the military in his capacity as commander-in-chief. Even if he does not give any orders, the military must follow the path of the government and prime minister," said Gen Sunthon to LAK THAI.

"The opposition, particularly Mr Samak Sunthonwet, the leader of the Prachakon Thai Party, is fond of saying that the military sides with the government and belongs to the government. As for the charge that the military sides with the government, that is not right way to put it. But it's true that it does belong to the government. If it did not belong to the government or was not subordinate to the authority of the government, if it rebelled against its commander-in-chief or did not act properly, that would be a rebellion. But it's not correct to say that the military sides with the government. Because if it belongs to the government, it obviously has to side with the government. The military must side with the government day and night. It can't topple the government. How could it help the opposition or Mr Samak topple the legal government, the king's government? Is that what Mr Samak wants? Does he want the military to refuse to obey the government's orders and oppose the government?"

Gen Sunthon added that the "military is acting properly. It is doing the right thing. It must side with the government and defend the government. We don't belong to the opposition. We can't help the opposition or Mr Samak topple the government or the prime minister."

#### Let Samak Form a Government

Gen Sunthon told LAK THAI that the "military belongs to the government, and this is proper. The military must defend the government, which is the same as defending the country based on the constitution. The military will stand firm and not budge from this position. We have not changed our position. We will adhere to this. Regardless of who forms a government or who becomes the prime minister, we must serve and defend the government. If Mr Samak forms a government or has the good fortune to become prime minister, the military will defend him. If he does not believe me, he can try and become prime minister and then see if we defend him. This is true for anyone, not just Mr Samak. The government will defend whoever forms a government, not just Prime Minister Prem.

"Mr Samak has probably forgotten that when he served as a minister in the Prem government, he, too, received protection from the military. He knows what the military did. When rebels tried to topple the government, most soldiers helped to defend the legal government. When Mr Samak was in the government, if soldiers had done whatever they wanted and failed to act in accord with the government's policies, would Mr Samak have liked that? I am sure that he would

not have liked that. He would have criticized the military. But now that Mr Samak is part of the opposition, he wants to pull the military away from that position. He now wants the military to help the opposition topple the government. I do not think that this is proper. People should not use politics to pull the military away from its position. Regardless of who becomes prime minister, our duty is to defend the government. I am waiting to support and defend the government of Mr Samak. If he forms a government, I will have to struggle on behalf of Mr Samak. Or will he want us to support the opposition at that time?"

#### Some People Are Like a Dog That Bites Its Own Tail

Gen Sunthon said that politics today is very strange, because people are doing things outside the rules and trying to entice others to do so also. This will lead to impropriety. "We are acting properly as I have stated. Isn't that what people want? We should preserve what is right. Things are fine the way they are. We should not shift or take some other standpoint. As for politics interfering, we must do our duty and defend our position."

Big George said that "politics is uncertain. Things are constantly changing. One moment, a person is in the government. The next moment, he is part of the opposition. That's fine. But they must not overstep the rules or try to get others to overstep the rules. Both are free to do what they want as far as politics is concerned, but they must not let this affect the military, which must fulfill its duty. Today, some people who are playing politics think that they are chasing others. But instead of biting others, they are just biting themselves, just like a dog that bites its own tail. Do you see the picture?"

#### Short Conversation with Big George About the Statement That He "Likes To Fly"

"I have served in many sectors. I once commanded troops. I have been wounded in battle. I have served as a staff officer. I served as the chief of staff of the Special Warfare Center during the time that Gen Thianchai Sirisamphan was the commander of the center. Before being promoted to my present position, I was the commander of the Special Warfare Command at Lopburi. Before that, I was a pilot. I still consider myself to be both a special forces soldier and an army aviator. I once served as the deputy commander of the Army Aviation Department. That was before I was appointed chief of staff of the Special Warfare Center. Later on, I served as deputy chief of the Army Aviation Center after this unit was expanded from a department to a center. I was promoted to [major] general and appointed chief of the Army Aviation Center in place of Maj Gen Sathian Nilakamhaeng. I was then made deputy commander of the Special Warfare Command. When special warfare operations were expanded, the Special Warfare Command was created. At that time, Lt Gen Anek Bunyathi (who is now a Thai Nation Party MP from Lopburi) was the commander. I replaced Lt Gen Anek as commander, which is the position that I held before being appointed assistant RTA CINC.

"I am a helicopter pilot. I always do the flying. I have never been a passenger or VIP. When I was a major general serving as the chief of the Army Aviation Center, I flew more hours than the young pilots. I led a squadron of helicopters on combat missions, including the attack on Hin Rong Kla and Khun

Sa's Ban Hin Taek base. People have said that I like to fly and that's true. That has been my job. I am a general now. I don't want to just sit behind a desk. When I served with the Army Aviation Center in Lopburi, I often led flights myself, particularly on risky missions. It improved the men's morale to see their commander expose himself to danger, too. When you are flying, you share the same risk regardless of your rank or position. I also want to say--and this is not a secret and I am not boasting--that when I was the commander of the Special Warfare Command, I continued to fly. The position of commander of the Special Warfare Command is equivalent to army region commander. I could request to use an aircraft to carry out my duties just like an army region commander. Each army region commander has a helicopter at his disposal. But I did not use it very often. Both the Special Warfare Command and the Army Aviation Center are based in Lopburi. I do the flying myself because I want to become more proficient. I can't give it up. The Crown Prince is a pilot, too. He flies both jets and propeller aircraft. When he flies a helicopter, he normally flies one belonging to the air force. But when he flies one belonging to the army, he usually asks that I fly with him. Thus, I can't stop flying. I have to improve my skills constantly, because I never know when he will want me to accompany him. Just because you are a general doesn't mean that you have to stop flying."

Gen Sunthon said that "it's fair to say that I like flying. Regardless of what we do, we have to like our job if we are to achieve good results. I have flown ever since I was a lieutenant colonel. I like to fly, and it has been one of my duties. I don't see why it should be embarrassing for a general to fly or why this should cause comment. I am sure that the barbs are aimed at me, because I am the only general who flies helicopters. But I think that soldiers should be proud of the fact that a senior commander is willing to put himself in danger. Another general who used to fly helicopters was Gen Thianchai Sirisamphan. He took pilot training when he was a major general. That was when he was the commander of the Special Warfare Center. He continued flying until he retired. Last year, the Army Aviation Center held a party at the end of his flying career. Now, I am the only full general who still flies.

"Some politicians have criticized me. They were probably referring to me when they said that as soon as he gets in an aircraft, he turns the switch to start the helicopter and flies away, scaring foreigners. You have to understand something about flying a helicopter. After you start the main rotor and the tail rotor, you have to wait until the engine gets up to full power. You have to check everything carefully and make sure that everything is ready before you can take off. It's not like driving a car, in which you start the car, put it in gear, and drive off. It's not like people, who get an idea and speak out immediately. You have to check things even more carefully when you fly a fixed-wing aircraft. Because once you are in the air, you can't land just anywhere like you can in a helicopter. I don't know much about politics and so I don't like to discuss politics. But some people who don't know anything about military matters like to discuss military matters. Some of the things that they say about aircraft are very funny.

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### INSIDER WRAP-UP OF CHONG BOK FIGHTING, ARMY'S PROBLEMS

Bangkok KHAO PHISET in Thai 13-19 May 87 pp 12-16

[Unattributed report: "Secret Document From Chong Bok: The Most Expensive Lesson Ever in the History of Fighting"]

[Text]The author of this article is an official who is close to the operation in Chong Bok, Ubon Ratchathani Province. This operation has been underway now for several months. He wrote this article and sent it to KHAO PHISET in order to generate positive results and provide a few lessons about waging war and protecting the lives of our soldiers during operations. KHAO PHISET feels that this article shows genuine concern and that it contains factual data that can be used to review and reconsider matters. The article also shows the great sacrifices that our brave soldiers have made and the military's intention of defending our territorial integrity. Although we have not printed certain sections, such as military positions and names of units, we have tried to maintain the aims of the writer.

The Chong Bok area in Ubon Ratchathani Province is the point where the borders of Thailand, Laos, and Cambodia converge. There are many important hills in this area. The ground is very rocky, and small trees cover the area. There are a few open areas. The strategic hills in this area include hills 479, 453, 408, 495, and 500. A news report stated that Vietnamese forces seized control of this area at least 2 years ago, with some Vietnamese forces as deep as 5 km inside Thailand. Along the border, there are several areas, such as Chong Phra Phalai, where Vietnamese forces stationed in Cambodia have crossed into Thai territory. Occasionally, Thailand launches an operation to expel them, and the Vietnamese retreat into Cambodia. The Thai forces then withdraw from the border because there is no need to station troops in these areas. But as soon as the Thai forces withdraw, the Vietnamese move back into the area. This has happened many times.

It isn't known why the Chong Bok operation was launched. But prior to this, Gen Chawalit Yongchaiyut, the RTA CINC, said that he wanted to use remote border areas to grow crops and raise livestock in order to earn money for the soldiers. He also hoped that this project would earn money for the Army



Development Fund and that this could be carried out within 5 years. In his statement, Gen Chawalit mentioned Chong Bok, the tri-border area, saying that this was one of the areas being considered for use in this project.

For Vietnam, hills 497, 500, and 408, which are located in the Chong Bok area in Thailand, are important as defensive positions in eliminating the resistance groups, that is, the Khmer Serei and Khmer Rouge. Across the border inside Cambodia are the bases of the 8th and 9th battalions of the 315th Division (Infantry Regiment 733). The 7th Battalion, or artillery company, which is of great importance, is located about 8 km inside Cambodia. If the Vietnamese can set up defensive positions inside Thailand, that is, on the hills mentioned above, they can use this area to encircle and smash the resistance forces.

It is not known why Thailand decided to launch an operation to retake these important hills after allowing Vietnam to control this area for approximately 2 years. But in February, the army announced that it had launched an operation to retake these hills. Meanwhile, in Bangkok, there was much political confusion.

The initial operation, known as the "D-9 Operation," was launched in the middle of February 1987. The operation was carried out mainly by thahan phran irregulars. Thahan phran irregulars from every regiment in the 2d Army Region, including irregulars from the Pakthongchai Camp, were sent to forward positions. They were supported by infantry from various main-force battalions in the 2d Army Region. This was the largest operation ever staged in the 2d Army Region. The 2d Army Region commander, Lt Gen Isaraphong Nunphakdi, commanded the operation himself near Hill 352. Chiefs of staff and regimental commanders were sent to take part in the operation. Fighting for control of these hills broke out, and the Thai soon learned that the Vietnamese forces had no intention of withdrawing as they had in previous operations. In the past, they withdrew across the border into Cambodia when attacked by Thai forces and then retook the hills after the Thai forces withdrew. But this time, the Vietnamese forces put up strong resistance. They had sufficient men and modern weapons. A report from the area states that in the fighting to maintain their hold on these strategic hills, the Vietnamese may have used "chemical weapons" to repulse the Thai forces.

To summarize the D-9 Operation, the Thai were not able to dislodge the Vietnamese forces. The Thai forces lost an unprecedented number of men. The Thai minister of foreign affairs, Air Chief Marshal Sitthi Sawetsila, said that we suffered heavier casualties in this operation than in the Thai-Khmer Rouge border clash at Non Mak Mun in 1977. As of 25 March, 180-200 men had been wounded or killed. After that, a new plan was formulated. Preparations were made to launch a major operation, named the "Phadetsuk Operation," to end the fighting. The operation was launched on the morning of 14 April 1987.

The Phadetsuk Operation, the Target Was Hill 500

As stated earlier, Vietnam seized important hills inside Thailand about 2 years ago, but Thailand did not respond. Thus, in these areas, Vietnam has had the advantage in terms of the terrain ever since the operation was launched.

Hill 500 is much higher than the surrounding hills. Vietnam established secure positions in this area. It built foxholes and bunkers, used rocks to build shelters, and set up positions all around the hill. It is thought that they built at least four-five positions in this area, including "trap positions" to defend the main positions. The positions were fortified to withstand shelling by various types of support weapons. In short, the artillery barrages and aerial bombing attacks failed to destroy these positions.

At the same time, Vietnam had a great advantage with respect to the logistics routes from the Cambodian border to Hill 500. It could use GMC vehicles to transport troops and materials to within about 0.5 km of their positions on Hill 500. But the Thai forces had to walk about 3-5 km to get to Hill 500 from their base. And Thailand's logistics route did not permit the rapid transport of men and materials as did Vietnam's. That is, while Vietnam was able to use GMC vehicles to support logistics operations at Hill 500, the Thai forces had to use mules as their means of transportation. Besides this, the Thai forces were not able to seize all the nearby hills. Vietnam clung tightly to these hills. They always had advance knowledge of the routes and movements of the Thai forces. At approximately 0300 hours on 14 April, thahan phran irregular units were ordered to launch the operation, with infantry units providing support for the thahan phran irregulars. This was the first time that thahan phran irregular units served as the main units in launching such a combat operation. After the operation got underway, serious command problems were encountered. This will be discussed later. Approximately 100 thahan phran irregulars managed to fight their way to the top of Hill 500 and overrun one of the Vietnamese positions, which was later judged to be a "trap position." They destroyed one mortar. The thahan phran irregulars seized this position around 0755 hours on 14 April. They encountered little resistance from the Vietnamese. This base was defended by fewer than 10 Vietnamese soldiers.

According to the plan that had been formulated, main-force elements from an infantry company were supposed to come and provide support at 1000 hours that day. They were to provide both logistics support and reinforcements in order to exploit the gains already made. But when the infantry company moved out as planned, the forward element ran into a mine field before it could reach the hill. One soldier was killed and a number of others were wounded. For some reason, the infantry company immediately abandoned the plan. (Later on, there were rumors that about 60 draftees in the infantry company had refused to move forward up the hill and that the commander could not control his men.)

Thus, the thahan phran irregular unit that had launched the Phadetsuk operation had to wait 17 hours with no sign of logistics support. On the evening of 14 April, the Vietnamese counterattacked using artillery, mortars, recoilless rifles, and other weapons. Because the thahan phran irregulars who had seized this hilltop position used the bunkers and shelters built by the Vietnamese, the Vietnamese had clear targets. The Vietnamese artillery began firing at these bunkers and shelters with great accuracy.

Around 2200 hours on 14 April, three GMC trucks carrying Vietnamese soldiers arrived at Hill 500. The Vietnamese soldiers surrounded the hill and launched a fierce attack against the thahan phran irregulars. The Vietnamese artillery

provided support fire from 2200 to 2400 hours. After that, the Vietnamese infantry forces moved in to clear the area. By 0200-0300 hours, the thahan phran irregulars were in an untenable situation. They had held this position for 17 hours without any logistics support and without anything to drink except urine. Thus, they had to withdraw from the position that they had seized. The capture of Hill 500, which had been reported by several newspapers, ended in defeat. The thahan phran irregular unit that seized Hill 500 and that was finally forced to withdraw suffered 17-18 casualties. Altogether, approximately 73 men were wounded or killed during the 14 April operation.

The Phadetsuk operation continued on 15 April. An attempt was made to change command and have thahan phran irregulars and main forces operate together. For the most part, the clashes on 15 April involved artillery and other heavy weapons. The Thai forces that tried to seize Hill 500 came under artillery fire from Vietnamese-controlled Hill 469. Also, Vietnamese forces moved so close to Thai forces that they could be heard shouting, in the Thai language, telling the Thai to stop firing. After that, they blanketed the Thai forces with artillery fire. We suffered many casualties on the morning of 15 April.

On 16 April, the same thing that had occurred on 15 April happened again. And so the Phadetsuk operation had to be called off. Most of the forces were ordered to withdraw in order to "formulate a new plan." The plan to drive the Vietnamese forces out of the area had failed. Since the beginning of the operation to drive the Vietnamese out of the Chong Bok area, that is, since the D-9 Operation was launched, approximately 500-600 Thai soldiers had been wounded or killed. It was estimated that the enemy had suffered about the same number of casualties. Something worth noting is that we could not seize the bodies of the Vietnamese dead or recover our own dead. In particular, Vietnam announced that it had recovered the bodies of five of our men on Hill 500. But actually, seven of our men were missing and believed dead. What is important is that even though the losses suffered by the two sides were about the same, Vietnam succeeded in maintaining control of the hill and repulsed our attack. Our forces had to withdraw to "formulate a new plan." It's possible that fresh forces will be sent in using elements from the Pa Wai special operations paratroop unit. But whether or not this succeeds may not depend solely on the efficiency of the soldiers sent into battle. I think that we must study the lessons learned from this operation.

#### An Expensive Lesson for the Thai Military

##### 1. The terrain

The combat site is a very important factor in determining the outcome of a battle. It must be understood that the area that Thailand is trying to recover is an area in which the Vietnamese have had bases for approximately 2 years. They know every inch of the area. A news source in the 2d Army Region said that the Vietnamese have set up permanent bases on various hills and seized advantageous positions. They have built convenient logistics routes and fortified their positions against artillery fire and aerial bombing attacks.

Vietnam's positional advantage is reflected in the failure of Thailand's aerial operations. The fighter aircraft sent to provide support have had little effect on the efficiency of the Vietnamese forces.

In view of the fact that the Vietnamese have the advantage in terms of the terrain, our side should have paused at the very beginning and considered the feasibility of this operation. We should have thought about what tactics to use to overcome their advantage. Something worth noting is that during this operation, the Khmer Serei, who could have provided support by putting pressure on the Vietnamese forces inside Cambodia and attacking some of Vietnam's fire support bases, did not provide much support for this operation. According to news reports, the Khmer Serei did send in a few units, but these soon disappeared once the operation got underway.

It seems that the way to overcome Vietnam's positional advantage was to launch an enveloping attack from the rear inside Cambodia in order to put pressure on the Vietnamese forces from both sides. But Thailand could not send troops into Cambodia. The only thing we could do was to rely on "forces with no apparent nationality." Thus, this positional disadvantage resulted in our suffering losses that were higher than normal.

## 2. Tactics, Coordination and Logistics

As for determining what tactics to use, one of the lessons learned from this operation was that on many occasions, the Thai forces lacked adequate data about the area. As a result of this, the tactics used were not the best. This is clear from what happened on Hill 500 on the morning of 14 April. We didn't realize that the first enemy position seized was a trap position and that the Vietnamese had allowed us to seize that position in order to ambush us. No plans were made to dig foxholes or shift the position in order to prevent it from becoming a target for enemy support fire. When the real fighting began, the first unit that had seized this position had to use the bunkers that the Vietnamese had built. Thus, when the Vietnamese began firing at our troops using various heavy weapons, the shells always hit the target.

The most troubling things are coordination and logistics. These are very important lessons for the Thai side. With respect to coordination, it must be admitted that allowing thahan phran irregulars to serve as the main forces and control the operation, with infantry forces providing support, was not in line with the real situation. This affected military custom. It seems that the army regulars refused to subordinate themselves to the thahan phran irregulars. I don't know if this was a matter of honor or CRMA [Chulachomklao Royal Military Academy] pride. But what is clear is that the support units failed to coordinate things. The thahan phran irregulars had to wait 17 hours for logistics support. So many special action units had been established that no one knew which was which. The call codes were confusing. The plan called for troops from an infantry company to coordinate their attack on Hill 500 at 1000 hours on 14 April and provide logistics support. The thahan phran irregulars who took the first position on Hill 500 lacked logistics support and ended up having to drink urine. At the same time, the Vietnamese sent forces to surround their position.

In providing logistics support, we had to use mules, and many of them died. But the Vietnamese used GMC trucks, which could drive almost to the Vietnamese positions. This hindered our troops from advancing. Besides this, we thought that the Vietnamese had withdrawn from some of the hills and planned to use these to support our attacks on other hills. But our intelligence was inaccurate. Because actually, the Vietnamese had not withdrawn from those positions and so they were able to destroy our support positions.

### 3. Morale

Combat morale is very important in combat. What happened during this operation shows that we need to make various changes in order to improve the morale and efficiency of our troops in combat situations. Our forces lack combat experience. Our forces have not fought a war for a long time. The Vietnamese, on the other hand, have been fighting for many years. However, this is not a big obstacle if other factors are taken into consideration.

After the operation was launched, the 2d Army Region committed a large number of troops in order to carry out the mission. But it did this without having sufficient strategic data. As a result, our forces quickly suffered heavy casualties, and this affected the combat morale of the men. It's fine that people wanted to win. But the operation should have been planned in accord with the realities of the situation. Throwing in a large number of troops like this might have worked in the battle at Chong Phra Phalai. But our success that time might have been due to the fact that the Vietnamese had withdrawn their forces in order to avoid taking losses. In many cases, the Vietnamese have withdrawn and then returned after our forces have left. Because we cannot establish permanent bases or station troops in those areas. Our mistake this time was in thinking that the Vietnamese would withdraw just as they did at Chong Phra Phalai. When things turned out differently, that is, when the Vietnamese put up strong resistance, committing large numbers of men resulted in our losing many men in a very short period. This weakened the morale of the men in the ranks. In particular, they began to "have doubts about those who had formulated the operations plan." Another important factor was the estrangement between the "thahan phran irregulars and the army regulars" and between the "officers who had risen through the ranks and the CRMA officers." It cannot be denied that comparisons were made and that this generated confusion in command. It's unlikely that the Vietnamese had such problems.

Regarding coordination and command, many of the officers, particularly the company commanders, who had climbed their way up from sergeant to lieutenant and captain and who held positions as deputy company commanders or company commanders, often found themselves alienated from the company commanders who were graduates of CRMA. Perhaps this is because the "CRMA blood ties" are so strong that there is a feeling of being different. Perhaps this created this alienation between the company commanders and their subordinates and resulted in some commanders placing too much trust in their "blood ties." As a result, things were not coordinated as well as they should have been. An important phenomenon occurred when an infantry company was supposed to coordinate things with the thahan phran irregulars who had seized the first position on Hill 500. There are reports that about 60-80 privates retreated immediately after their unit entered a mine field. The commander claims that these soldiers

refused to obey his commands, but this has not been proven. And no disciplinary action has been taken. But the result of their failure to coordinate things as planned left the first group of soldiers who had succeeded in seizing the position cut off. This generated even greater confusion in command. As for the Vietnamese, there are reports that Vietnamese troop morale was very good because the Vietnamese troops used drugs such as morphine. But this has not been proven. But the Vietnamese have constantly tried to intimidate our troops with the "dare-to-die" spirit of their troops.

#### Summary

It isn't necessary to win every battle, as long as it's not the last battle. The combat capabilities of Vietnam's soldiers are well known. They are well trained and have modern weapons. Even the forces of the People's Republic of China were taught an expensive lesson when they attacked northern Vietnam in the "first war to teach a lesson." We should learn from this war and use the lessons to improve our combat skills so that we can win the next time that we have to fight. We should admit that we are not as adept as Vietnam and do not have their experience in waging war. During the past several decades, our combat activities have been limited mainly to using guerrilla-type tactics to destroy the communists in Thailand, who have lacked men and modern weapons. We have not been involved in a conventional war.

Even though we suffered heavy casualties at Chong Bok, in war, there will always be losses. The only thing is that during the battle, matters should be reviewed honestly and the lessons should be learned quickly in order to ensure that those who died defending their country did not die in vain. The deaths of those brave soldiers who were killed at Chong Bok should remind us to study the lessons. The thing that we must always remember is that "medals" and "sashes" are not the reason for going into battle. Another important lesson is that the fighting at Chong Bok showed that "people" are more important than "weapons." At the very least this shows that.... Actually, we cannot compete with the enemy in terms of weapons. As long as they continue to "live by war," they will be able to increase their weapons capabilities at any time by receiving aid money and waging a proxy war, or serving as an agent in expanding military influence. The thing that can enable us to survive in our struggle against those who have superior forces is greater combat will power and superior potential as a nation. But do we have this? And can we eliminate the estrangement that exists between our units?

The main purpose of this article is to get people to review the lessons and make positive use of the lessons. The clash at Chong Bok cannot be called a "war." It was just one mission in driving the enemy out of our country. There are many ways to accomplish this. Even if the policy is good, we must use other means in an attempt to save the lives of as many of our men as possible.

Finally, I would like to offer my condolences and praise all those brave soldiers who sacrificed their lives and limbs in this operation. All of them made a great sacrifice as patriotic citizens.

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## THAILAND

### DAILY WANTS TOUGHER STANCE WITH MALAYSIA ON BORDER ISSUES

Bangkok BAN MUANG in Thai 22 May 87 p 4

[Editorial: "We Should Take a Tougher Stance"]

[Text] Thailand and Malaysia have still not been able to reach an agreement on the border and territorial waters issues. With respect to those issues that are having an adverse effect on Thailand, Malaysia is equivocating or refusing to hold negotiations, which is preventing these matters from being resolved properly and hurting friendly bilateral relations.

Thailand is frequently at a disadvantage in negotiating border problems with its neighbor. Is this because we are unskilled in negotiating or is it because the government's policies place too much stress on maintaining friendly relations with our neighbor, which encourages them to feel that they can treat Thailand any way they want?

The government, particularly the Ministry of Foreign Affairs, should review its role. When the negotiations do not go right, they should not seek reconciliation, which only results in our neighbors looking down on us. We should take a tough stance in the negotiations. Thailand is one of the countries in Asia that enjoys a good reputation, but we frequently act as if we were their colony.

In cooperating with our neighbor in suppressing the communist guerrillas, the government has had to spend much money, and many Thai have been killed. These suppression activities have not benefited Thailand. They have benefited Malaysia, which has put pressure on the communist guerrillas to cross over into Thailand.

Besides this, our neighbor is also trying to ruin our economy by opening up tax-free zones along the border, which has resulted in an increase in the smuggling of goods into Thailand. Thailand has had to spend money setting up checkpoints. We should retaliate strongly.

Fishermen have asked that our territorial waters be demarcated or that a joint Thai-Malaysian development zone be established. The police and the navy should take steps to demarcate our territorial waters clearly. Or they should send warships or marine police to protect Thai fishermen, keep Thai fishing boats

from straying into Malaysian waters, and prevent Malaysian warships from seizing Thai fishing boats in Thai waters.

As for the request that the Ministry of Foreign Affairs provide guidance on or interpret Malaysia's laws in order to fight them in court, the Ministry of Foreign Affairs should do this as quickly as possible. It should do this with the laws of our other neighbors, too. Today, Thai fishermen are like a fighter with one hand tied behind the back. They are not receiving resolute support from their government.

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## THAILAND

### COLUMNIST SEES NO CHANGE IN USSR CAMBODIA STANCE

Bangkok MATICHON in Thai 23 May 87 p 7

[Article by Thanasarut Satawethin: "The 14 May 1987 Joint Moscow Communique"]

[Excerpts] The Thai minister of foreign affairs visited Moscow during the period 10-14 May. It can be concluded that Thailand wanted to negotiate with Moscow on two important problems. First, Thailand wanted to affirm ASEAN's strong position on the Cambodian issue. (What Thailand and the other members of ASEAN want the most is for the Soviet Union to stop helping Vietnam in its occupation of Cambodia.) Second, Thailand wanted to hold talks in order to find a way to improve economic and trade relations with the Soviet Union.

As for the Cambodian problem, based on the joint Moscow communique, it does not seem that the Soviet Union has changed its attitude as Thailand and ASEAN had hoped it would. They want the Soviet Union to stop supporting Vietnam, regardless of whether or not this was discussed this time. However, the Thai foreign affairs minister carried out his duty well and managed to have Thailand's and ASEAN's firm position included in the official joint communique.

It can be said that as far as the Cambodian issue is concerned, both Thailand and the Soviet Union continue to hold firmly to their original positions. That is, Thailand (and ASEAN) still strongly oppose Vietnam's occupation of Cambodia. And the Soviet Union will probably continue to support Vietnam. In this respect, Thailand's negotiations on the Cambodian issue did not achieve the results desired by Thailand. The positions of the two sides are still diametrically opposed and so there is still no room for compromise. This seems like a diplomatic failure in an effort to solve an immediate problem of great importance to Thailand. However, the fact that Thailand's (and ASEAN's) firm position was included in the joint communique can be construed to mean that the Soviet Union has officially recognized this position.

Aside from the Cambodian issue, with respect to bilateral relations between Thailand and the Soviet Union, the joint communique stated that the foreign ministers of the two countries discussed finding ways to improve relations based on mutual satisfaction, joint interests, and equality. As for improving economic relations between the two countries, the two countries signed a protocol on 12 May agreeing to establish a joint Thai-Soviet Trade Committee.

The Thai minister of foreign affairs signed on behalf of Thailand, and the Soviet minister of foreign trade signed on behalf of the Soviet Union.

Although it can be said that Thailand did not achieve the political results desired with respect to the Cambodian problem in view of the fact that the communique does not mention reducing or ending Soviet support to Vietnam as desired by Thailand (and ASEAN), on the economic front, this joint communique shows that Thailand will have increased contact with the Soviet Union. As for the relation between economic and political relations, improved economic relations will have a positive effect on political relations. At the same time, improved political relations will lead to better economic relations. What this means is that Thailand's improved economic relations with the Soviet Union stem from improved political relations between the two countries. It is very likely that these improved economic relations will further improve our political relations with the Soviet Union. Better political relations may enable Thailand to rely on the Soviet Union as an important factor in laying the groundwork for solving the Cambodian problem.

In summary, it can be said that in the present situation, the visit to Moscow by Thailand's foreign affairs minister failed to solve the Cambodian problem. Both Thailand and the Soviet Union remain firmly committed to their positions. There is no possibility of compromise at the present time. But there is reason to hope that improved economic relations will facilitate solving the political problems facing the countries in Southeast Asia in the near future.

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## THAILAND

### COLUMNIST COMMENTS ON SIHANOUK DEPARTURE

Bangkok DAILY NEWS in Thai 16 May 87 p 2

[Around the World column by Trairat Sunthonpraphat: "Leader Without a Country"]

[Text] When I hear about Cambodia's leaders, I feel numb. Sometimes, they have gotten exactly what they deserve. This provides a good example for the leaders of certain countries who have witnessed the collapse of this country. This should make them pause and think about whether it is right to cling to power, to struggle to the death for power, and to put the nation's forces under this or that group. If we want Thailand to go the way of Cambodia, all we have to do is continue acting nonsensically.

The most tiresome is Sihanouk, a vile creature who has created a fuss about resigning. He has revealed the faults and splits within the Khmer coalition for all to see, which has brought a smile to the face of the enemy. Sihanouk has charged that Khmer Rouge forces have attacked his forces. To prevent him from losing face, some reports have stated that he has personal matters that he wants to attend to for awhile. For this reason, he has asked to take a 1 year leave of absence as head of the Khmer coalition effective 7 May 1987.

However, this can also be analyzed from another angle. It may be that Sihanouk is distancing himself from the Khmer Rouge in order to find a way to negotiate with the Vietnamese. The Soviet leader paved the way when he said that the Cambodian problem must be negotiated by those involved. He said that the Soviet Union is not involved. And Vietnam hinted that if negotiations are held, the Cambodian problem can probably be solved.

Normally, a clever great-power country will not exert overt pressure on a small country. Even though the Soviet Union is a major power, it will not do things openly. It will use some other method to pressure Vietnam into withdrawing from Cambodia. Minister Sitthi Sawetsila recently held secret talks with Soviet leaders. Perhaps he is aware of measures that will be taken to end the Cambodian war that even Vietnam's leaders don't know about.

The Soviet leaders are well aware of the fact that they must help bring an end to the Cambodian war, because this war does not benefit them. The ASEAN countries cannot accept this even though they would like to have closer

relations with the Soviet Union. But Soviet support for Vietnam is like a bone in their throat. It is China that is benefiting from the war in Cambodia. Several of the ASEAN countries have to try and please China in order to win Chinese support against Vietnam. The Indochinese countries are weak. They do not pose any threat to China. Even though the Soviet Union is providing support, it can't do everything.

Sihanouk might want to try the "cocktail party" plan of [Indonesian Foreign Minister] Mochtar Kusumaatmadja, who wants Sihanouk to discuss the Cambodian problem with Vietnam. And it would be best if he did this at a time when he does not hold any official position. Then, he would not have to recognize the Heng Samrin government.

In a small country such as Cambodia, if the leaders had not been stupid and concerned only about their own interests and if they had implemented a good foreign policy, the country would probably not have fallen apart like this. The war has been going on for 8 years now. The country has been almost totally destroyed, but the leaders of the various factions haven't given any thought to the Cambodian people, who are the ones who are suffering. They continue to follow other countries and fight each other. I hope that that stays in Cambodia and does not happen here.

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## THAILAND

### MONK MEETS DEPUTY PRIME MINISTER ON RICE POLICY

Bangkok THAI RAT in Thai 16 Apr 87 pp 1, 2

[Excerpt] On the morning of 15 April at the Government House, Kittiwuttho, the director of Chittaphawan Withayalai, met with Admiral Sonthi Bunyachai, the deputy prime minister and chairman of the Rice Policy Committee (RPC). He said that Admiral Sonthi had asked him to come see him in order to discuss discharging the debt of the farmers, who owe a huge sum to the Bank for Agriculture and Agricultural Cooperatives (BAAC). After meeting with Admiral Sonthi, Kittiwuttho talked with reporters and told them that the purpose of this meeting was to find a way to discharge the debt of the farmers, who owe the BAAC approximately 10 billion baht. The interest alone amounts to 2 billion baht.

Kittiwuttho said that he proposed that if a farmer repays the principal within 2 years, that is, by the end of 1988, he should be forgiven the interest. The government would lose the interest, but it could earn income from the repaid principal. The gains outweigh the losses. Admiral Sonthi intends to do this and so he has asked him to serve as an advisor in order to find a way to provide real help. If this succeeds, the farm debt will be discharged within 2 years. He said that he thinks that the government can do this. The deputy prime minister told him that he would take prompt action on this.

The director of Chittaphawan Withayalai also discussed Chittaphawan's rice mill program. He said that more than 700 have been set up in several provinces. Each mill can mill 15 kwian [1 kwian equals 2,000 liters] of rice per day. These will go into operation on 15 May. These have been set up at various temples, with one per subdistrict. Milling operations are carried out by a village committee and supervised by the temple. This will make available low-cost milled rice. Pressure will no longer be put on prices at the markets. An unlimited number of mills with a capacity of 5 and 2 kwian per day can be set up. This can be carried on as a cottage industry. The rice will be of better quality, and marketing will not be a problem. Kittiwuttho also said that he asked Admiral Sonthi to ask the minister of industry to help revise the law to increase the horsepower of rice mills. He said that he does not want to violate the law, but the law needs to be in accord with reality. "Written laws can be changed," said Kittiwuttho.

A reporter asked which units are cooperating in implementing the policy on discharging the farm debt and transforming the northeast. Kittiwuttho said that this is a joint effort on the part of students and professors, the military, the temples, and the people. When there is understanding, the problems can be solved. This matter has been discussed. If there is unity and the government is honest, the northeast can be transformed within 3 years. Water will be brought in to turn the land green.

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## THAILAND

### BANKERS, POLICY MAKERS TIES REVIEWED

Bangkok LAK THAI in Thai 28 May 87 p 32

[Unattributed report: "The BoT Seat, Eradicating the 'Shadow' of Sommai"]

[Text] The history of the Bank of Thailand [BoT] may repeat itself in the near future in view of the fact that the minister of finance has made a recommendation to the cabinet that the governor of the BoT be removed from his position for failing to implement monetary policy in accord with Ministry of Finance policy. When Mr Sommai Huntrakun was minister of finance, he recommended that the cabinet dismiss Mr Nukun Prachuapmoh, the then governor of the BoT, because they disagreed on how to solve the problem concerning the financial institutions. Someone whom no one would have guessed, Mr Kamchon Sathirakun, the director of the Fiscal Policy Office, was appointed to replace him as governor of the BoT.

At that time, Mr Suthi Sinsane was the deputy minister of finance. Mr Suphachai Phanitchaphak was the director of the Financial Institution Regulation and Inspection Section. He replaced Mr Roengchai Marakanon, the "grandson" of Mr Sommai. It is well known that Mr Suphachai and Mr Roengchai did not agree on the way to solve the problem concerning the financial institutions. Mr Suphachai was not very impressed by the work of his "new boss," Mr Kamchon. It is well known that Mr Suphachai was very unhappy about the dismissal of Mr Nukun, because they worked together very well.

Today, the Ministry of Finance is under the control of Mr Suthi Singsane and Mr Suphachai in the No 1 and 2 positions respectively. They are "star performers" in the clashes against the opposition in parliament. Mr Phanat Simasathian, the under secretary of finance, has been close to Mr Suthi ever since they were in the Thammasat Association. They worked together as accountants. He performs "housekeeping" duties and is considered to be the No 3 man in the Ministry of Finance.

It is thought that Mr Suthi felt "hurt" during the time that he served as deputy minister because he was not accepted by certain directors-general. He kept this to himself until he became minister. After he took control of the ministry, there was a major reshuffle. Mr Kraisi Chatikawanit, was transferred from a major department, the Customs Department, to a smaller department, the Treasury Department. This was viewed as a demotion by people in the Ministry

of Finance. The younger brother of Mr Phong Sarasin, the deputy prime minister, whom Mr Sommai had transferred from the Excise Department to the Comptroller-General's Department, was promoted to an important position in the Revenue Department. Mr Wirot Laohaphan, who had been moved from the Treasury Department to the Revenue Department just 1 year before, had to start over in the Customs Department. Mr Phuchong Phengsi was promoted from deputy under secretary to director-general of the Comptroller-General's Department.

In the wake of these transfers, government officials realized that Mr Suthi's plan was to demolish the power base of Mr Sommai and build his own power base.

Most of the tasks in the Ministry of Finance are now under control. But during the time that Mr Sommai served as minister of finance, the shadow of his power reached other units as well, particularly the Krung Thai Bank, in which the Ministry of Finance is a major shareholder. However, the bank's present chain of command is subordinate to the BoT, which stems from the fact that Mr Roengchai was appointed deputy managing director. Senior people in the Ministry of Finance are unhappy about this.

The plan to merge the Krung Thai Bank and the Siam Bank was aimed at quickly reducing the role played by the BoT with respect to the Siam Bank. This began with the removal of Mr Kasem Chatissawanit as chairman of the board. The plan was to have someone from the Krung Thai Bank replace Mr Wari Hawanon as managing director. Mr Wari was "pushed upstairs" into the position of chairman of the board. Mr Run Intranok was then transferred from the Krung Thai Bank to serve as managing director as had been expected.

However, because the BoT still plays a major role in the Krung Thai Bank, Mr Suthi has had to reduce the role of Mr Roengchai Marakanon and increase the role played by Mr Thirachai Siwichit, who is considered to be a Krung Thai man. This has caused a conflict between the Ministry of Finance and the BoT. Mr Kamchon has sent a letter asking that Mr Roengchai be transferred back to the BoT to serve as deputy governor.

Although Mr Kamchon is subordinate to the Ministry of Finance, he is not Mr Suthi's "man." Rather, he is known as a "fighting fish." Everyone who becomes governor of the BoT eventually changes his views on the institution as a result of the prestige of the BoT. But this prestige is under the power of the minister of finance. "Even though the BoT is an independent unit based on the National Bank Act, the person responsible for implementing things based on this act is the minister of finance. If the BoT does something and this is criticized by politicians, the person responsible is the minister of finance," said Mr Suthi Singsane to reporters.

As for the rumors that Mr Kamchon will be removed from his position, Mr Suthi said that "this must be considered very carefully. Just because a political faction recommends something doesn't mean that that must be done. Things must be done in an appropriate manner. If I feel that the two units are having problems, I will hold a joint meeting. Some people may not know what others know. Some people have compared the BoT and the Ministry of Finance to a husband and wife."



"As the governor of the BoT, I feel that I am at the peak of my career. I don't worry about what may happen in the future. Regardless of what happens, I feel that I have done my best," said Mr Kamchon Sathirakun, the governor of the BoT, who came to the BoT via the political path not too long ago and who received a very lukewarm welcome from BoT personnel. That was because they were unhappy about the dismissal of Mr Nukun Prachuapmoh.

But today, Mr Kamchon is showing what has to be done to maintain independence, prevent politicians from meddling, and keep from falling under their influence.

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## THAILAND

### MINISTERS SUTHI, SUPHACHAI COMMENT ON DEBT PICTURE

Bangkok KHAO PHISET in Thai 27 May-2 Jun 87 pp 33, 34

[Unattributed report: "Thailand's Debt Crisis and the Way To Solve the Problem"]

[Text] The foreign debt problem is a serious problem for the government. It is just as serious as the problem of maintaining the stability of the Prem 6 administration.

Today, the government's outstanding foreign debt is \$11 billion, or approximately 275 billion baht. The foreign debt problem will probably continue to be a problem for the country. Regardless of which government is in office, the debt just continues to increase.

At a 20 May meeting of the Committee To Discuss Foreign Debt Creation, which is chaired by Mr Suthi Sinsane, the minister of minister, and whose members include people from various units such as the Bank of Thailand, the National Economic and Social Development Council, and the Bureau of the Budget, it was decided that the units will divide the tasks. For example, the Bureau of the Budget is responsible for monitoring the expenditures of the state enterprises that have been allotted funds. The National Economic and Social Development Council is responsible for studying the economic situation. The Bank of Thailand is responsible for monitoring monetary policy and the monetary situation. The Ministry of Finance is responsible for government revenues and fiscal policy. It must also negotiate with foreign loan sources.

The Committee To Discuss Foreign Debt Creation is responsible for considering and stipulating capabilities with respect to the government creating foreign debt, or borrowing money from abroad, before the matter is submitted to the cabinet. During the past 2-3 years, the loan ceiling has been \$1 billion. These loans have been taken directly by the government, and they have been guaranteed by the government, that is, the Ministry of Finance.

### The Crisis

Prior to this, the government's financial crisis, which stemmed from the trade deficit and balance of payments deficit, forced the government to limit foreign borrowing. Otherwise, Thailand's debt problem might have reached the

point where we could not have repaid the debt. But the situation has improved during the past year. This is the result of several factors, such as the drop in the price of oil and the decline in foreign interest rates. As a result, the government's financial position has improved somewhat. Thailand's economic situation is good. However, the government must continue to limit expenditures, which means that the ceiling on borrowing will remain the same.

#### Summary of the Results of the Meeting

Those attending the above meeting summarized the government's debt situation and discussed the fact that Thailand must submit a proposal to the major lenders, such as the World Bank and the Asian Development Bank (ADB) (which is something that Thailand has never really done), asking them to relax the loan conditions, which are taking excessive advantage of Thailand.

After the meeting, Dr Suphachai Phanitchaphak, the deputy minister of finance, told reporters that the "government's debt now stands at \$11 billion as compared with the \$9.5 billion owed in 1985. Of this \$11 billion, \$4.2 billion was borrowed directly. The remaining \$6.9 billion were loan guarantees for various state enterprises."

#### Loan Sources

As for loan sources, 28.8 percent of the money has been borrowed from international financial institutions such as the World Bank and the ADB, 41 percent has come from private markets, and the rest has been borrowed from foreign governments.

Dr Suphachai said that the policy of the Thai government is to reduce our dependence on international financial institutions as sources of loan funds. This is necessary. Thailand does not benefit from borrowing money from these institutions. This is particularly true in the case of the World Bank. The loan conditions pose serious problems for Thailand.

"We must talk with the World Bank about the necessity of this and the conditions that they impose on us. This includes interest rates, loan periods, and the term of the loan. We have also suffered losses from currency exchange rates, which the World Bank has found for us. This has caused us many problems," said Dr Suphachai.

Dr Suphachai said that Ministry of Finance officials have talked with World Bank officials about these problems, but not officially or in a very serious manner. Thus, there have not been any results. To achieve results, the developing countries that are debtors of the World Bank must cooperate in negotiating with the World Bank.

"The World Bank charges a higher rate of interest than do other loan sources. That is, it charges an average of 10-11 percent. And its conditions on the payment of loans are stricter than those of other sources," said Dr Suphachai. He repeated that the conditions set by the World Bank take too much advantage

of Thailand. Now that Thailand's position has improved, many loan sources have offered to loan money to Thailand. We don't have to rely on the World Bank as much if it refuses to relax its conditions.

Another problem and burden on the Thai government is the fee (which is referred to as the commitment fee chart) that Thailand must pay if it does not draw loan funds after having signed the loan contract. The world Bank begins charging the commitment fee immediately based on the full amount of the loan. But in actual practice, Thailand draws funds in installments based on the length of the program.

"We are not at fault for drawing the money late. They should not charge a commitment fee based on the entire amount of the loan," said Dr Suphachai.

Today, Thailand owes the World Bank \$2.1 billion. It owes the ADB more than \$800 million. The loan conditions set by the ADB are more favorable than those of the World Bank. The ADB did not offer itself as a creditor until after the World Bank and so it must compete by offering better conditions.

Besides this, the Thai government will submit a proposal on borrowing money from the World Bank and ADB. It wants the banks to switch from making direct loans at normal rates of interest to making loans in the form of joint investments in the project to be developed by Thailand. For example, in the past, the World Bank loaned money for constructing roads and dams and building irrigation projects and power plants in the form of joint investments in projects set up by Thailand. For example, there can be an Exports Credit Fund or a Small Industries Credit Guarantee Fund, or the Small Industries Finance Office, which requires joint investments, can be improved. Thailand will try to make use of the financial institutions, such as the International Finance Corporation, which is the unit of the World Bank that is involved in making joint investments in industry and agricultural industry.

"The World Bank is experiencing problems, too. That is, if no one borrows any money from it or if countries begin borrowing less money, it won't be able to survive. It must compete against other organizations that are trying to make a profit from the developing countries and deal with various currencies when the terms expire for the debtors, which takes many years," said Dr Suphachai.

Thus, as far as our proposal to bargain with our creditors is concerned, there is nothing to worry about. This is particularly true of our threat to not borrow money or reduce our borrowing and look for new loan sources that will give us better terms if our creditors do not agree with our proposals. There are many loan sources that would like to lend us money today. Because in the eyes of creditors, Thailand's position and credit rating are now very good.

However, the foreign debt problem will become more serious when the loans become due. In particular, in 1991, loans totaling \$1.8 billion will come due. This is money that was borrowed from various sources. The fact that the loans fall due at the same time presents a serious problem. This is an immediate problem that the government must deal with now in order to find ways to extend the payment period. One way is to refinance (a very popular term during the

past 2-3 years). This refers to taking a new loan to pay off an old loan, with the new loan having a lower interest rate and better terms. The Debt Creation Committee has agreed to look for ways to refinance these loans.

"The loans taken 10 years ago come due in 1991. After a period of not having to repay principal, 1991 is the year in which the principal must be repaid," said Dr Suphachai.

Even though the debt problem is a major problem with which everyone is familiar, Thailand will have to continue borrowing money. Every child born here comes into this world already in debt.

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FURTHER REPORT ON REFINANCING OPTION FOR DEBT

Bangkok DAILY NEWS in Thai 6 May 87 p 3

[Unattributed report: "Proposal To Refinance Debts Totaling About 10 Billion in Yen and Dollars"]

[Text] The Fiscal Policy Office will propose that foreign debts in yen and dollars be refinanced by taking new loans in these same currencies. Refinancing the loans used to purchase weapons is now being negotiated with the United States. State enterprises probably won't be able to refinance, because they took the loans just recently. The creditors probably won't agree to this.

A news source from the Fiscal Policy Office [FPO] stated that the FPO has conducted studies to see if the foreign debt burden can be eased by refinancing, that is, by taking new loans with more favorable terms, such as a lower interest rate, to repay the old loans. This is the policy of the Ministry of Finance. The initial conclusion of the FPO is that the foreign loans in yen and U.S. dollars should be refinanced. Several loans have been taken in these two currencies at a rather high rate of interest. The outstanding loans in yen that carry an interest rate of 10 percent total approximately \$400-500 million. There are several hundred million dollars in loans in dollars on which we are paying 10.5 percent interest. The FPO will propose that we refinance these loans in the same currencies. That is, the loans in yen will be refinanced in yen and the dollar loans in dollars.

Mr Niphat Phukkanasut, the deputy director of the FPO, said that by refinancing, our long-term foreign debt will be in a more suitable and balanced position. This can be done by borrowing money in currencies that carry favorable conditions with respect to the term of the loan and the interest rate. Also, by repaying some of the debts before they come due, we can save money. The FPO will propose that we do this immediately.

Mr Niphat said that in taking steps to ease the foreign debt burden, we must be very careful. Because today, the exchange rates are very volatile. This is especially true of the yen. Originally, it was thought that the yen would firm up at 140 yen to the dollar. But the yen has continued to grow stronger and may even move to 120 yen to the dollar. Another important factor is whether the terms offered by the creditors are favorable for refinancing. And another

thing is Thailand's foreign currency reserves. Even though our reserves have now increased to \$4.2 billion, or more than 100 billion baht, if we repay large amounts ahead of time, this will immediately effect our reserves position.

Mr Niphat said that the FPO is particularly anxious to refinance international loans, such as loans taken from the Asian Development Bank and the World Bank. It is more difficult to refinance these loans than it is to refinance those taken from financial markets. In particular, officials feel that military loans, such as those referred to as FMS, which are borrowed from the U.S. government in order to purchase weapons, should be refinanced. This is now being negotiated with the U.S. government. As for refinancing state enterprise loans, even though they have now asked to do this, this will be difficult, because most of these loans were taken just 1-2 years ago. It's doubtful whether creditors will agree to refinancing these loans. Mr Niphat said that the best way to ease the debt burden is to turn to using domestic loans. Although officials have set the fiscal 1988 foreign debt ceiling at \$1 billion, it is thought that only half that amount will be borrowed. The Ministry of Finance is trying to develop the domestic capital market to ensure that the state enterprises turn more to borrowing from domestic sources.

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## THAILAND

### EDITORIAL FAULTS BOARD OF INVESTMENT, NESDB

Bangkok NAE0 NA in Thai 19 Apr 87 p 3

[Editorial: "Ineffective Development"]

[Text] Thailand began using development plans in imitation of Western countries in 1959, almost 30 years ago. But only the figures have grown. The people's standard of living is still substandard.

Today, we have an Office of the National Economic and Social Development Board [NESDB], which is responsible for formulating policy and stipulating directions for the country. It is supported by other organizations such as the Bureau of the Budget, the Department of Foreign Cooperation, and the Office of the Board of Investment [BOI].

These organizations each carry out things independently of the others. Even though there are joint meetings in order to set development targets, after the meetings, the organizations all go their separate ways and do not coordinate the work. Thus, in many cases, projects are planned one way but turn out very differently when actually implemented. Many projects have been abandoned. Others have been completed, but the results have not hit the targets.

A clear example today is the lack of cooperation between the NESDB and the BOI. Both of these organizations are involved in related activities. But during the past 20 years, the two organizations have always worked independently of each other. Neither one has been interested in finding out why many of the projects have failed.

The Sixth Development Plan places great stress on becoming a newly industrialized country, with the emphasis on import-substitution and agricultural products processing industries. But looking at the role played by the BOI, it has not made any preparations. It has not even made any progress in encouraging the private sector to hold an international exhibit of goods and technology.

Something else worth thinking about is that the BOI wants us to become highly dependent on foreign technology. In particular, Japan has received special consideration. A clear example is that a Japanese company has been granted a patent for sheet-metal cutting even though Thailand already has 30 companies



engaged in this type of activity. These companies have never received any investment promotion.

There are many labor-intensive activities, such as the textile industry. But for the past 10 years, there have been regulations forbidding the establishment or expansion of factories. This has been tantamount to controlling the creation of jobs.

We do not trust the work principles of either the BOI or the NESDB. Both of these organizations are more interested in making the figures look good than they are in increasing efficiency. Thus, the work system is a "flow with the current" type system. It does not really guide development.

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THAILAND

AIR FORCE ASSISTANT CHIEF OF STAFF FOR PERSONNEL PROFILED

Bangkok DAILY NEWS in Thai 18 May 87 p 5

[DAILY NEWS Square column by Nanthana: "The Commander of the Thai Air Unit in Korea Is the Assistant Chief of Staff for Personnel"]

[Text] Today, DAILY NEWS Square column would like to introduce the air force assistant chief of staff for personnel.

Air Marshal Phisit Sikalasin, the assistant chief of staff for personnel, was born on 1 August 1934 in Sakon Nakhon Province. His parents are Mr Phonlamai and Mrs Kham Sikalasin. His younger brother, Dr Songsak Sikalasin, once served as the rector of Sinakharinthawiroth University.

The assistant chief of staff attended primary school in Kalasin Province. He then attended the Somdet Chao Phraya School. Because he loved flying, he took the entrance examination to the Air Force Academy, which he attended as a member of Class 1. Fellow classmates included Air Chief Marshal Kaset Rotchananin, Air Chief Marshal Woranat Aphichari, Air Marshal Wira Kitchathon, and Air Vice Marshal Sommati Sunthonwet. During the course of his career, he received additional training in flying fighter aircraft in the United States. He also attended the Air Command and Staff College and the National Defense College, Class 27, the same class as Chalo Fuang-arom, Ari Wong-araya, and Sawat Puiphanwong.

He flew F-86 jets after the air force acquired these type of aircraft. He also flew T-28 propeller aircraft, which were used for both training activities and combat operations, OV-10, C-47, Dakota, C-123 transport aircraft, and most recently F-5 jet aircraft.

Important positions: He served as the head of the Directorate of Personnel, the commandant of the Flying Training School, the assistant air force attache to the Philippines, the commander of Wing 4, Takhli, and the commander of the Thai Air Unit attached to the UN forces in Korea in 1969 and 1970.

In his youth, he liked to play rugby. Now, he exercises by playing golf. He is married to Chirawat Sikalasin. They have two daughters. The elder daughter is Chirawadi, who was born in 1972. The younger is Phorani, who was born in 1973.

The motto of the assistant chief of staff for personnel is to be prepared and keep abreast of the situation, to walk the middle path, and to remember the things that give pleasure and forget those things that give pain. He will retire in 1994.

THAILAND

FINANCE MINISTRY OF INCREASING YEN DENOMINATED LOANS

Bangkok DAILY NEWS in Thai 15 May 87 p 3

[Unattributed report: "Thailand Wants To Increase Yen Denominated Loans"]

[Text] A news source in the Ministry of Finance revealed that as of the end of March 1987, Thailand's public-sector external debt stood at \$11,217.1 million. Of this, \$17.1 million is short-term debt and \$11,200 million is long-term debt. The private-sector external debt stands at \$4,907.6 million, of which \$1,872.8 million is short-term debt and \$3,034.8 million is long-term debt. As of March 1987, the principal and interest due totaled \$542.8 million. But this debt is only 18.8 percent of export revenues, of which 11.0 percent is public sector and 7.8 percent is private sector. This is high, but it does not pose a problem.

At the same time, comparing external borrowing in the past with that after the baht was devalued in 1984, the structure of external borrowing has changed. There has been a shift away from taking loans in dollars. Specifically, dollar denominated loans have decreased from 73 percent to only 63.6 percent while yen denominated loans have increased from 4.9 percent to 8.8 percent. Loans in Swiss francs have declined from 10.2 percent to 4.9 percent. Loans in German marks have increased from 4.1 percent to 5.2 percent. The news source said that yen denominated loans have increased because state enterprises such as the Metropolitan Water Works Authority, the State Railway of Thailand, the Telephone Organization of Thailand, and the Industrial Estate Authority of Thailand have borrowed money from Japan through OECF [Overseas Economic Cooperation Fund]. Another reason why yen and mark denominated loans have increased is that these loans have better interest rate and payment period concessionality than do the dollar loans. "In the past, the private sector took large loans in Swiss francs because the Swiss banks loaned the money at a low rate of interest. But recently, the Swiss franc has appreciated and so loans have declined," said the news source.

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## THAILAND

### HOUSE COMMITTEE STUDY ON COPYRIGHT ISSUE SUMMARIZED

Bangkok NAE0 NA in Thai 6 Jun 87 p 3

[Unattributed report: "Foreign Affairs Subcommittee: Views on the Intellectual Property Problem"]

[Text] At House of Representatives meeting No 5/1986 (general session) on Thursday, 4 September 1986, the House passed a resolution giving the Foreign Affairs Subcommittee the authority to carry on activities regarding, investigate, or study some foreign affairs matter. The subcommittee felt that the dispute between Thailand and the United States over protecting intellectual property is affecting our good relations with the United States and affecting the interests of Thailand and the Thai people. It felt that this matter needed to be studied carefully in order to protect the interests of Thailand and the Thai people. The Foreign Affairs Subcommittee has now completed its study and arrived at the following conclusions:

#### 1. Copyrights

Protection of intellectual property with respect to the 1978 Copyright Act: There is the following problem:

Today, U.S. copyrights are not protected by Thai law, because the United States is not a member of the Berne Convention. But Thailand is a member. Thus, the United States has asked Thailand to revise the Copyright Act in order to implement things in accord with the Thai-U.S. Treaty of Friendship and Economic Relations.

Subcommittee observations and recommendations:

1) With respect to copyrights, this Thai-U.S. treaty does not obligate Thailand to revise its laws so that things can be done in accord with the wishes of the United States. Because none of the provisions of Thailand's law prevents the United States from implementing the terms of the treaty in any way.

2) As for computer software, Thailand has not reneged on its commitments based on the Thai-U.S. treaty. Thailand is a member of the Berne Convention. The revised convention signed at Berlin stipulates that computer software is not

to be considered a literary work. Thus, even if the United States becomes a member of the Berne Convention, Thailand doesn't have to put computer software in the category of items receiving copyright protection.

The subcommittee feels that giving copyright protection to computer software will pose a great obstacle to scientific development in Thailand.

3) Even though the Thai government is under no obligation to act in accord with the wishes of the United States for the reasons stated above, if the government needs to promote better relations with the United States by doing what the United States wants, the government should do so only to the extent of eliminating the words "Thai nationality" from Article 6 of the Copyright Act so that foreigners enjoy the same benefits as Thai. What this means is that the creation or initial advertisement of a work must take place in Thailand in order to gain copyright protection. This revision will not affect the interests of Thai, because the Thai who advertise works in the United States can do so in Thailand at the same time.

However, the subcommittee feels that the best way is for the government to wait for the United States to join the Berne Convention. The United States has indicated that it plans to join the convention.

## 2. Patents

Protection of intellectual property with respect to patents: There is the following problem:

Article 9 of Thailand's 1979 Patent Act designates inventions not protected by Thai law. This is referred to as the exclusionary list. There are seven items on the list. Developed countries such as the United States and the European Community want three of these items removed from the list in order to grant protection to these three items. The three are medicines, agricultural machinery, and crop seed.

Subcommittee observations and recommendations:

1) Medicines: If Thailand allows drug patents to be registered, this will have a serious effect on the welfare of the majority of people, that is, the farmers and laborers. Thus, Thailand should not agree to this. Even if it is claimed that there are now many medicines whose patents have expired, if patents on newly developed medicines are registered in Thailand, the price of these drugs will increase, because royalty fees will have to be paid. Besides this, there will be a monopoly on production.

2) Agricultural machinery: Today, Thai import and modify various types of machinery and make technical improvements so that the machinery is suited to conditions in our country. If foreign patents are recognized, foreign countries might take out patents on the machinery that Thai have modified and then sell them here at high prices. This must be prevented. Thailand should not revise this section.

3) Crop seed: Our country still has few techniques for expanding the production of seed. We should not provide patent protection.

### 3. Trademarks

Protection of intellectual property with respect to trademarks: There is the following problem:

There are two aspects of trademark counterfeiting that need to be analyzed:

1) Scope of protection: The 1931 Trademark Act (the act currently in effect) does not contain any provisions guaranteeing the trademark rights of countries that have treaties with Thailand.

2) Punishment of those who violate trademark rights: The Trademark Act, which has been in effect since 1931, calls for very mild punishments.

The government is preparing a draft act to revise the Trademark Act and will submit the draft to parliament for consideration.

Subcommittee observations and recommendations:

The draft trademark act to be submitted to parliament should be analyzed in detail to see how much this will benefit the country. The government should not comply with all the demands made. The interests of the people of the country should come first. And it must consider our sovereignty. It should not revise everything just to please another country.

A trademark is a personal property right. The owner of the trademark must protect his right by registering the trademark in order to obtain protection. If a person does this in Thailand, his trademark will be protected by law.

### Summary

The United States has asked Thailand to revise its laws in order to protect intellectual property. It is using the benefits that Thailand receives from the United States under the GSP [General System of Preferences] as a bargaining chip. The Foreign Affairs Subcommittee feels that it would not be to our advantage to give in to the United States out of fear of losing benefits under the GSP.

There will be many adverse effects if the government is so afraid of U.S. retaliation that it gives the United States everything it wants. The government should not allow itself to be pressured. Instead, it should try to negotiate and foster the view that the two sides must show mutual sympathy as close friends. The subcommittee feels that the following should be done:

1. The subcommittee feels that we should avoid being pressured. This should be done by formulating a plan to coordinate things with those who trade with the United States in order to reduce production costs and revise product standards so that our goods can compete in terms of quality. There should also be

negotiations on the intellectual property issue within the framework of the allies. The United States has already committed itself to participating in this arena and within the arena of the World Intellectual Property Organization (WIPO).

2. Much thought must be given to building a new relationship between Thailand and the United States. The things that have happened recently clearly show that relations between our two countries have declined on the economic and political fronts. As a result of Ministry of Foreign Affairs shortcomings in implementing the policies, America's friendship and respect for Thailand and the importance that it attaches to Thailand have declined. However, the Ministry of Foreign Affairs continues to maintain that relations are good and continues to implement policies in accord with U.S. wishes. This is true even on the trade front. For example, it promised that Thailand would revise the 1978 Copyright Act without giving any consideration to the process that must be followed in promulgating a law or to the long-term negative effects this will have on our economy.

The subcommittee is opposed to the Ministry of Foreign Affairs trying to improve relations by agreeing to revise various laws, which will have a lasting effect on our economy, and claiming that this is necessary in order to receive favorable tariff rights, which is just a temporary benefit. Instead, relations must be improved by formulating a new policy based on the actual situation. Thailand must have the respect of the United States. The United States must treat Thailand just like it treats its other friends. We must not build a relationship that is based on acquiescing to things harmful to Thailand.

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THAILAND

SITTHI, FOREIGN MINISTRY DRAW FIRE ON COPYRIGHT ISSUE

Weekly: Sitthi Defends U.S. Interests

Bangkok SU ANAKHOT in Thai 3-9 Jun 87 p 2

[Editorial: "Must Be Self-Reliant"]

[Text] In an attempt to sway the thinking of those who oppose revising the Copyright Act, which is what the United States wants Thailand to do, Air Chief Marshal Sitthi Sawetsila, the minister of foreign affairs, is trying to show how Thailand will benefit if the Copyright Act is revised. He asked, "If we don't revise this and the United States becomes angry, what will we do?" And before giving anyone else a chance to answer, our foreign affairs minister answered his own question, saying that "if the United States becomes angry, we will be in trouble."

At first, it seemed as if the newspaper that printed this interview got mixed up and printed an interview with the U.S. secretary of state and then said that this was an interview with the Thai foreign minister. But all the daily newspapers confirmed that this was not an interview with the U.S. secretary of state but with our foreign affairs minister.

This fear on his part may stem from the policy of the Ministry of Foreign Affairs, which has bound our beloved Thailand to the United States. And it has not tied us to them as equals but as one of their underlings. Regardless of what the United States thinks about us, we always have to view them positively. They wanted us to establish SEATO, and we did so. They sent military forces to fight in Korea and so we sent forces, too. When the fighting moved to Indochina, we sent forces to Laos, Vietnam, and Cambodia.

We have followed them closely everywhere they have gone. This time, they want us to revise our law to benefit them. And we have to do so! Because if they become angry, what will we do?

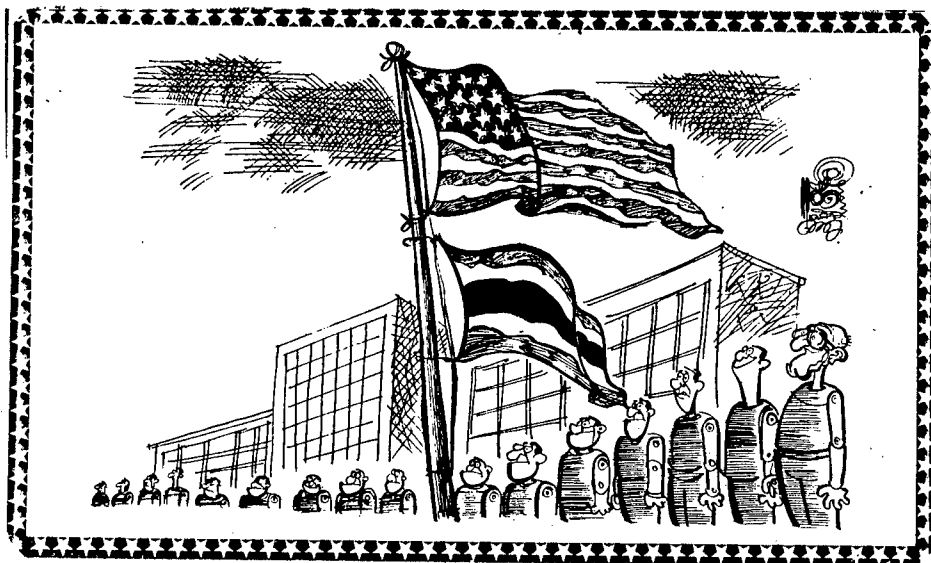
With respect to revising the Copyright Act, we feel that Thailand must consider this freely. We must consider our own interests instead of acting out of fear of other countries. It's time that we implemented an independent foreign policy and started relying on ourselves with dignity and honor.



Cartoon Spoofs Sitthi as Subservient to U.S.

Bangkok DAILY NEWS in Thai 5 Jun 87 p 5

[Cartoon]



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## THAILAND

### BRIEFS

EDITORIAL: DISCUSS PREM UNPOPULARITY--The effort to portray Gen Prem Tinsulanon as a "magician" who is superior to others by preventing the opposition from holding a no-confidence debate and by holding up signs praising Gen Prem as someone who is superior to ordinary people has actually had a negative effect. This is because people are becoming tired of this. They are fed up. During the 6-7 years that Gen Prem has been prime minister, he has never come under such heavy criticism as today. Never before has his prestige been challenged so strongly. He is being criticized by the House of Representatives, the mass media, particularly the newspapers, and the people. The only ones not criticizing him are the state's mass media and those around him, who benefit from the fact that he is prime minister. We feel that it is time to speak frankly. It's time that we evaluated the work of the government, particularly Gen Prem's administrative efficiency as prime minister. We feel that there should be a no-confidence debate or that the opposition should submit motions on important issues about which it is concerned. Students and other people should hold debates, too, because the government's administrative actions, or the work of Gen Prem, affects the lives of all the people. Let's stop playing the toady. [Excerpt] [Bangkok SU ANAKHOT in Thai 13-19 May 87 p 2] 11943

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